中昌國際
ZHONGCHANG INTERNATIONAL

Zhongchang International Holdings Group Limited
中 昌 國 際 控 股 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)
Stock code：859

ANNUAL REPORT
2017/18

追求卓越

Contents

止于至善

Corporate Information

BOARD OF DIRECTORS *(Notes)*

Executive directors

Mr. Wang Junyong [1] *(Chairman)* [2]
Mr. Fan Xuerui [1]
Mr. Sun Meng [1]
Mr. Sun Feng [1]

Independent non-executive directors

Mr. Hung Ka Hai Clement [1]
Mr. Liew Fui Kiang [1]
Mr. Wong Sai Tat [1]

COMPANY SECRETARY

Mr. Lee Pui Lam

AUTHORISED REPRESENTATIVES

Mr. Fan Xuerui [2]
Mr. Lee Pui Lam

AUDIT COMMITTEE

Mr. Hung Ka Hai Clement *(Committee Chairman)* [2]
Mr. Liew Fui Kiang [2]
Mr. Wong Sai Tat [2]

NOMINATION COMMITTEE

Mr. Liew Fui Kiang *(Committee Chairman)* [2]
Mr. Wong Sai Tat [2]
Mr. Fan Xuerui [2]

REMUNERATION COMMITTEE

Mr. Wong Sai Tat *(Committee Chairman)* [2]
Mr. Hung Ka Hai Clement [2]
Mr. Fan Xuerui [2]

EXECUTIVE COMMITTEE

Mr. Wang Junyong *(Committee Chairman)* [2]
Mr. Fan Xuerui [2]
Mr. Sun Meng [2]
Mr. Sun Feng [2]

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL PLACE OF BUSINESS

Suite 1711
Tower 2
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of Communications Co., Ltd
China Construction Bank (Asia) Corporation Limited
Bank of China (Hong Kong) Limited
O-Bank Co., Limited

LEGAL ADVISERS

as to Hong Kong law:
Cheung Tong & Rosa Solicitors

as to Bermuda law:
Conyers Dill & Pearman

FINANCIAL ADVISER

Optimal Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belevedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITES

www.zhongchangintl.hk
www.hkex.com.hk

STOCK CODE

859

Notes:

1. Appointed with effect from 12 January 2018.

2. Appointed with effect from 2 February 2018.

3. The follow persons resigned as directors on 2 February 2018:

   Mr. Ng Ian (Chairman and Executive director)
   Mr. Chan Kwok Hung (Executive director)

   Mr. Ng Chun For, Henry (Non-executive director)
   Mr. Mak Wah Chi (Non-executive director)

   Mr. Li Kit Chee (Independent non-executive director)
   Mr. Chan Kam Man (Independent non-executive director)
   Mr. Chu Tak Sum (Independent non-executive director)

4. The follow persons have ceased to be the members of the audit committee of the Company ("Audit Committee") on 2 February 2018

   Mr. Li Kit Chee*
   Mr. Mak Wah Chi
   Mr. Chan Kam Man

5. The follow persons have ceased to be the members of the nomination committee of the Company ("Nomination Committee") on 2 February 2018

   Mr. Chan Kam Man*
   Mr. Mak Wah Chi
   Mr. Chu Tak Sum

6. The follow persons have ceased to be the members of the remuneration committee of the Company ("Remuneration Committee") on 2 February 2018

   Mr. Li Kit Chee*
   Mr. Mak Wah Chi
   Mr. Chu Tak Sum

* *Committee Chairman*

Corporate Profile

Zhongchang International Holdings Group Limited (formerly known as Henry Group Holdings Limited) (hereinafter referred to as the "Company", together with its subsidiaries, collectively referred to as the "Group") is principally engaged in property development and property investment.

In December 2017, Sansheng Hongye (Hong Kong) Limited successfully acquired the controlling equity interests in the Company as mentioned in the joint announcement dated 22 December 2017 ("Acquisition"). Sansheng Hongye (Hong Kong) Limited is wholly owned by Shanghai Sansheng Hongye Investment (Group) Company Limited ("SSHI") which is in turn controlled by Mr. Chen Jianming. SSHI, founded in 1993 and headquartered in Shanghai, is a conglomerate focusing on real estate development in the People's Republic of China ("PRC") and is one of the best property developers in the PRC in terms of overall strength. Since 2005, SSHI has been awarded "Top 100 China Real Estate Developers" (中國房地產百强企業) in successive 14 years, along with "Top 10 Profitability" and "Top 10 Operation Efficiency". In 2018, SSHI has been selected and ranked the 54th as the Top 100 China Real Estate Developers jointly announced by Enterprise Research Institute of Development Research Center of the State Council of PRC (國務院發展研究中心企業研究所), the Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院).

After the completion of the Acquisition and substantial change in the composition of the board of directors of the Company (the "Board") in February 2018, the Group continues consolidating and strengthening its existing investment properties business in Hong Kong while simultaneously seeking new opportunities in the real estate sector to broaden its source of revenue and earning base. Combining the experience of the Group in the property investment sector in Hong Kong and the network and connection of Sansheng Hongye (Hong Kong) Limited (the controlling shareholder) in the PRC, the Group intends to expand its business in the PRC initially in the Guangdong-Hong Kong-Macao Bay Area and Yangtze River Delta Area. The Group will seek investment opportunities in property investment, management and development businesses which, the Board considers to be with good development prospects to create value for the Company and the shareholders of the Company (the "Shareholders"), explore potential business opportunities and seek sustainable development. A special resolution was passed at the Company's special general meeting held on 24 May 2018, pursuant to which, the Company adopts Zhongchang International Holdings Group Limited as its new company name to replace "Henry Group Holdings Limited".The change of name not only renews the corporate image of the Company following the recent change in control of the Company, but also better reflect the principal business development and strategic direction of the Group as described above.

Dear Shareholders,

On behalf of the board of directors of the Company (the "Board"), I hereby present the annual results of the Group for the financial year ended 31 March 2018.

I am pleased to report that 2017 was a year of breakthrough and of historic significance for the Company, with Shanghai Sansheng Hongye Investment (Group) Company Limited ("SSHI")'s successful acquisition of controlling interests in the Company and becoming the controlling shareholder of the Company upon the completion which took place on 21 December 2017 as well as the substantial changes in the composition of the Board upon the close of mandatory unconditional cash offers on 2 February 2018. This integration will not only give the Company opportunity to pursue its business expansion in the PRC but also enhance the level of competitiveness and growth potential of the Company leveraging on the controlling shareholder's successful experience and brand recognition in China. The Board believes that the integration signifies an important milestone with a profound impact on the Group's future.

During the financial year, the Group is well positioned with a portfolio of investment properties in Hong Kong and recorded steady income stream against dampened market sentiment. The Group's flagship investment property, Jardine Center nestled at the heart of Causeway Bay Jardine Bazaar, the vibrant street in Causeway Bay full of cosmopolitan touristic retail, exhibited stable revenue and accounted for 58% of the Group's revenue for the financial year ended 31 March 2018. In an ever-changing market environment, the Group has embarked strategic assets allocation and certain matured investment properties were disposed of which enables the Group to realise value from its portfolio and to deleverage – House No.12 of bel-air and L'hart were disposed of in August 2017 and December 2017 respectively which realized the total gross cash proceeds of HK$1,170 million. With the Company's sound financial position and taking into account of the importance of long-term development, the Board recommended payment of final dividend for 2016/17 and the Board's recommendation was approved by the Shareholders of the Company at annual general meeting held in August 2017.

On behalf of the Board, I wish to express my sincere gratitude to Shareholders, banks and business partners for their unwavering support and thank my fellow directors (the "Directors") for their effort and insights. I would like to also express my sincere appreciation to our staff and professional teams for their dedication and commitment.

WANG Junyong
Chairman and Executive Director

Hong Kong, 25 June 2018

REVIEW OF OPERATIONS

During the year under review, rental income generated from investment properties in Hong Kong continued to be the major source of the Group's revenue. During the financial year, the Group strategically disposed of two investment properties. As a result, the Group no longer generated rental income from the disposed properties after the disposal which has led to a drop in revenue of the Group. Occupancy rate of the investment properties portfolio of the Group was steady on average.

For the purpose of optimising its investment properties portfolio and reallocating the finances resources to replenish property projects, the Group disposed of two investment properties, the details of which are as follows:

(i) On 11 May 2017, the Group entered into a provisional sale and purchase agreement with an independent third party in relation to the disposal of House No. 12, Villa Bel-Air, Bel-Air on the Peak, Island South, Hong Kong (the "Bel-Air Disposal") at a consideration of HK$205 million. The Bel-Air Disposal constituted a disclosable transaction for the Company under the Listing Rules. Completion of the Bel-Air Disposal took place in August 2017 and the Group realized a net gain on disposal of an investment property amounting to approximately HK$4.95 million. Detailed information relating to the Bel-Air Disposal was disclosed in the announcement of the Company dated 11 May 2017; and

(ii) On 13 July 2017, the Group entered into a conditional sale and purchase agreement with an independent third party in relation to the disposal of 100% equity interest in Seedtime International Limited ("Seedtime"), which was an indirect wholly-owned subsidiary of the Company through its wholly-owned subsidiary – Land Base Limited holding an investment property situated at Nos. 487-489 Lockhart Road, Hong Kong known as "L'hart" (the "Seedtime Disposal"), at a consideration of approximately HK$965 million (subject to post completion adjustments). The Seedtime Disposal constituted a major transaction for the Company under the Listing Rules. Completion of the Seedtime Disposal took place in December 2017 thereby the Group realised a net gain on disposal of subsidiaries amounting to approximately HK$5.4 million (after taking into account of audited post completion adjustment amounted to approximately HK$1.7 million. Detailed information relating to the Seedtime Disposal was disclosed in the announcements of the Company dated 13 July 2017 and 13 December 2017, and the circular of the Company dated 2 August 2017.

The fair value of the Group's investment properties portfolio in Hong Kong as of 31 March 2018 was approximately HK$1,927,500,000. A breakdown of properties valuation and the comparison of the revenue by property for the two financial years ended 31 March 2018 and 2017 as shown below:

	Properties Valuation as of 31 March	Revenue for the year ended 31 March		
By property	**2018**	**2018**	2017	**Change**
	HK$'000	**HK$'000**	HK$'000	
Causeway Bay				
Jardine Center, No. 50 Jardine's Bazaar	**1,490,000**	**27,359**	29,522	(7.3%)
L'hart, Nos. 487-489 Lockhart Road *(Seedtime Disposal completed in December 2017)*	**–**	**10,692**	25,582	(58.2%)
Ground Floor and Cockloft Floor, No. 38 Jardine's Bazaar	**100,000**	**2,274**	2,245	1.3%
First Floor, Nos. 38 and 40 Jardine's Bazaar	**14,500**	**384**	410	(6.3%)
Ground Floor including Cockloft, No. 41 Jardine's Bazaar	**135,000**	**2,532**	2,532	–
Ground Floor, No. 57 Jardine's Bazaar	**138,000**	**3,192**	3,167	0.8%
Mid-levels West				
Shop No. 1 on Ground Floor of K.K. Mansion, Nos. 119, 121, 125, Caine Road	**50,000**	**–**	119	(100%)
Island South				
House No. 12, Villa Bel-Air, Bel-Air on the Peak *(Bel-Air Disposal completed in August 2017)*	**–**	**808**	2,249	(64.1%)
Total	**1,927,500**	**47,241**	65,826	(28.2%)

After the completion of Bel-Air Disposal and Seedtime Disposal, the Group's investment properties portfolio consists of four commercial properties and one residential property in Causeway Bay as well as one commercial property in Mid-Levels West. The overall occupancy rate of the investment properties portfolio was about 94% as of 31 March 2018. Food & beverage and beauty remained the sectors taking up the most space in the Group's portfolio. The existing leases have different expiring dates (about 40.3% in 2018; 32.39 % in 2019; and 27.31% in 2020 and beyond).

OUTLOOK

According to the First Quarter Economic Report 2018 released by Hong Kong Government, economy of Hong Kong recorded a robust growth of 4.7% over a year benefiting from strong domestic demand and favourable labour market conditions as well as positive business sentiment. The People's Republic of China (the "PRC") demonstrated a robust growth track and is expected to be the engine for global economic growth in the medium term. During the financial year, a strong local wealth effect stemming from stock and property market growth, coupled with the expected acceleration in tourist arrivals and spending supported steady growth in retail business. In short run, retail market sentiment is expected to improve further taken into account of the enhanced mobility of logistics and people benefiting from the forthcoming new cross-border infrastructure projects, such as Guangzhou-Shenzhen-Hong Kong Express Rail Link and Hong Kong-Zhuhai-Macao Bridge. Therefore, it is expected that the investment properties portfolio of the Group which are located at prime area will benefit from strong rental demand and will contribute considerable income to the Group.

Going forward, it is the strategy of the Group to continue consolidating and strengthening its existing business while at the same time seeking new opportunities in the real estate sector to broaden its source of revenue. Combining the experience of the Group in the property investment sector in Hong Kong and the network and connection of Sansheng Hongye (Hong Kong) Limited (the controlling shareholder of the Company) in the PRC, the Group intends to expand its business in the PRC initially in the Guangdong-Hong Kong-Macao Bay Area and Yangtze River Delta Area. The Group will seek investment opportunities in property investment, management and development businesses where the Board considers to be with good development prospects to create value for the Company and the Shareholders.

FINANCIAL REVIEW

The Group recorded revenue of approximately HK$47.2 million for the year ended 31 March 2018 (2017: approximately HK$65.8 million), representing a decrease of approximately 28.2% as compared with last year. The decline was mainly due to the pro rata effect of rental income generated from the disposed investment properties upon their respective completion of disposals which took place in August and December 2017.

Operating expenses comprised investment properties related expenses, rental expenses, utilities charges and legal and professional fees. An increase in operating expenses was mainly due to the professional fees in relation to the mandatory unconditional cash offers triggered by change in controlling shareholders of the Company and the Bel-Air Disposal and Seedtime Disposal.

Staff costs comprised salaries, Directors' fee, retirement benefit costs and share-based payments. Staff cost decreased by 14.4% as compared with last year. Such decrease was mainly due to the decrease in Directors' remunerations upon the substantial changes in the composition of the Board in early February 2018 and the absence of share-based payment for the year (2017: approximately HK$2,297,000).

The Group's unrealized fair value gains on investment properties (mainly contributed by Jardine Center) amounted to HK$20 million. The Group's investment properties were revalued by Savills Valuation and Professional Services Limited, an independent valuer.

Finance costs comprised bank borrowings interest expenses, new bank borrowings arrangement fee and imputed interest cost arose from convertible notes. Such decrease was primarily attributable to (i) the substantial decrease in imputed interest cost as result of the substantial portion of convertible notes being converted into ordinary shares; and (ii) pro rata effect of reduction in bank borrowings interest expenses as a result of the mandatory repayment of bank borrowings being triggered by Bel-Air Disposal and Seedtime Disposal.

Profit for the year amounted to approximately HK$20.7 million as compared with a profit of approximately HK$34.1 million in the previous year. Reported profit decrease was due to net combined effect of (i) decrease in revenue; (ii) a decrease in unrealized fair value gains on investment properties; and (iii) non-recurring gains arising from disposal of the investment properties as aforesaid mentioned Bel-Air Disposal and Seedtime Disposal.

Liquidity and Financial Resources

The Group mainly finances its business operations with its internal resources and bank borrowings. As at 31 March 2018, the Group had cash and bank balances (included bank deposits) of approximately HK$749.2 million (as at 31 March 2017: approximately HK$400.1 million). The increase in cash and bank balances was mainly attributable to the new bank borrowing raised subsequent to the cash payments for (i) distribution of final dividends for the year ended 31

March 2017 to Shareholders of the Company in August 2017; and (ii) repayment of bank borrowings during the year. The Group's cash and bank balances are deposited in Hong Kong Dollars ("HKD") which mainly are preserved in risk-free bank deposits to maintain highly liquidity financial resources available for facilitating future investment activities and acquisitions when opportunities arise.

As at 31 March 2018, the Group's bank borrowings of HK$570 million all denominated in HKD and carry interest at Hong Kong Interbank Offer Rate (HIBOR) plus a margin (as at 31 March 2017: approximately HK$1,173 million) with maturity profile set out as follows:

	2018	2017
	HK$'000	HK$'000
Repayable		
Within one year	**17,100**	30,300
Within a period of more than one year but within two years	**17,100**	33,300
Within a period of more than two years but within five years	**535,800**	275,425
Within a period of more than five years	**–**	834,000
	570,000	1,173,025

The Group's gearing ratio as of 31 March 2018, which is calculated on the basis of total liabilities over total assets, was approximately 22.5% (2017: approximately 36.2%) whilst the current ratio of the Group which is expressed as a ratio of current assets over current liabilities as of 31 March 2018, was approximately 29.0 (2017: approximately 9.8). The Group will continue to adopt a prudent financial policy so as to sustain an optimal level of borrowings to meet its funding requirements.

Capital Structure

As of 31 March 2018, the issued share capital of the Company has been increased to 1,125,027,072 ordinary shares due to (i) issue and allotment of 65,310,492 ordinary shares of the Company by virtue of partial conversion of a convertible note with principal amount of HK$61,000,000 at its conversion price of HK$0.934 per share; and (ii) issue and allotment of 30,673,046 ordinary shares of the Company by virtue of exercise of 30,673,046 share options.

As at 31 March 2018, audited net assets amounted to approximately HK$2,079.1 million (2017: approximately HK$2,227.1 million), representing a decrease of approximately 6.6% as compared with the same as of 31 March 2017. With the total number of 1,125,027,072 ordinary shares in issue as of 31 March 2018, the audited net assets value per share was approximately HK$1.85 (2017: approximately HK$2.16).

Treasury Policy

The Group's business has been conducted in Hong Kong and its monetary assets and liabilities are mainly denominated in HKD. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

DIVIDEND

The Directors do not recommend any dividend for the year ended 31 March 2018.

A final dividend of HK$0.213 per ordinary share for the year ended 31 March 2017 to Shareholders of the Company was paid in August 2017.

CORPORATE GUARANTEE

As of 31 March 2018, the Company has given several corporate guarantees in aggregate of HK$656,000,000 (31 March 2017: HK$1,316,000,000) for securing banking facilities granted to its subsidiaries which were fully repaid in December 2017. As at 31 March 2018, the Company provided corporate guarantee of HK$570,000,000 which given to a bank for securing banking facilities granted to its subsidiary.

CHARGES ON GROUP ASSETS

As at 31 March 2018, the Group had pledged the following assets:

1. investment properties in Hong Kong with an aggregate carrying amount of HK$1,763,000,000 (2017: HK$3,051,000,000) for securing certain bank borrowings of its wholly-owned subsidiaries;

2. share mortgage of several subsidiaries for securing their respective bank borrowings; and

3. rent assignments in respect of the investment properties held by the Group.

CONTINGENT LIABILITIES

(1) High Fly Investments Limited ("High Fly"), an indirect non-wholly owned subsidiary of the Company which were dissolved by virtue of voluntary liquidation with the British Virgin Islands ("BVI") Registry of Corporate Affairs approved on 24 January 2014 and Premium Assets Development Limited ("Premium Assets") (collectively the "Indemnifiers") had signed Deed of Indemnity (the "Deed") on 4 October 2013 (being date of completion of the SPA) with Double Favour Limited ("Double Favour"). Pursuant to the Deed, each of indemnifiers hereby severally, pro rata to their respective shareholdings in the High Luck International Limited ("High Luck") immediately before completion of the SPA (i.e. 45% as to Premium Assets and 55% as to High Fly) (the "Relevant Proportion") undertakes to Double Favour (for itself and as trustee of the High Luck and its subsidiaries (the "Disposal Group") to pay them an amount or amounts equal to each of the following:

(a) any liability to taxation in connection with any claim in respect of all taxation falling on any member of the Disposal Group resulting from or by reference to any transaction, event, matters or thing occurred or effected during the period from 1 September 2007 to 4 October 2013 (being date of completion of the SPA) (the "Relevant Period"), or in respect of any gross receipts, income, profits or gains earned, accrued or received, or alleged or deemed to have been earned, accrued, or received by any member of the Disposal Group during the Relevant Period, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and,

(b) all action, claims, losses, damages, cost (including all legal costs), charges, expenses, interests, penalties or any other liabilities to which any member of the Disposal Group is or may be subject or which any member of the Disposal Group or Double Favour may reasonably and properly incur in connection with:

(i) any investigation, assessment or the contesting of any claim or any of the matter referred to in (a) above;

(ii) the settlement of any claim or any of the matters referred to in (a) above;

(iii) any legal proceedings or actions in which the Purchaser or any member of the Disposal Group claims under or in respect of the Deed and in which judgment is given in favour of the Double Favour or any member to the Disposal Group; or

(iv) the enforcement of any such settlement or judgment,

and each of the Indemnifiers severally in the Relevant Proportion undertakes to indemnify an hold harmless or demand any member of the Disposal Group and Double Favour in respect of the matters referred to (a) to (b) (inclusive) above.

Notwithstanding anything to the contrary herein provided and the guarantee provided in the SPA, Double Favour further agrees and acknowledges to High Fly acting as trustee for the benefit of Uptodate Management Limited ("Uptodate"), an indirect wholly owned subsidiary of the Company and Best Task Limited that their respective obligations under the guarantee in respect of any obligations arising from any claims against High Fly under the Deed and/or the SPA (the "Relevant Claims"), the obligations of Uptodate under the guarantee for such Relevant Claims should only be limited to 54.55% of the said claims (i.e. not more than 30% of total claims).

Pursuant to the Deed, the board of directors is of the opinion that it would be unlikely for the Group through Uptodate to suffer any material financial loss as a result of giving the aforesaid indemnity on several basis limited to 30% of the Relevant Claims.

As at 31 March 2018, there was no relevant reported.

(2) Under the agreement for sale and purchase of share in and debts owed by Seedtime International Limited signed between the Company, Rose City Group Limited (the "Vendor") and Prime Magic Holdings Limited (the "Purchaser") on 13 July 2017, the Company acts as guarantor in favour of the Purchaser for the disposal of entire issued share capital of Seedtime International Limited, which was completed on 13 December 2017.

The Company irrevocably and unconditionally guarantees to the Purchaser the due and punctual observance and performance by the Vendor of all its obligations undertaken in the agreement and the Vendor's warranties; and undertakes that if for any reason the Vendor fails to observe or perform any of such obligations and/or is in breach of any Vendor's warranties, it shall on demand observe or perform or procure the Vendor to observe or perform the same in respect of which the Vendor shall be in default and make good to the Purchaser and indemnify and hold harmless the Purchaser against all reasonable losses, damages, costs and expenses arising or incurred by the Purchaser as a result of such non-observance or non-performance.

As at 31 March 2018, there was no relevant claims reported.

Save as disclosed aforesaid, the Group did not have any significant contingent liabilities as at 31 March 2018.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group had 7 employees based in Hong Kong. The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job nature. The Group also provides other benefits including but not limited to medical insurance, discretionary bonus, share options and mandatory provident fund schemes.

The directors of the Company ("Directors") are pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2018.

CHANGE OF COMPANY NAME

Following the passing of a special resolution at the special general meeting of the Company held on 24 May 2018, the English name of the Company has been changed from "Henry Group Holdings Limited" to "Zhongchang International Holdings Group Limited" and has adopted its Chinese name "中昌國際控股集團有限公司" to replace "鎮科集團控股有限公司". The change of name was effected in June 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 41 to the consolidated financial statements. The business review of the Group for the year ended 31 March 2018 as well as further discussion and analysis as required by Schedule 5 to the Hong Kong Companies Ordinance (except for the principal risks and uncertainties facing the Group set out at page 21), are set out in the section headed "Management Discussion and Analysis" on pages 6 to 12, the section headed "Investors' Relations and Communication with Shareholders" under Corporate Governance Report on page 41 and the "Environmental, Social and Governance Report" on pages 43 to 59 of this Annual Report, which form part of this Directors' report.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 March 2018 and the state of the Company's and the Group's affairs as of 31 March 2018 are set out in the consolidated financial statements on page 64 to 134.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$400,000.

CHANGE OF FINANCIAL YEAR END DATE

Pursuant to a resolution of the Directors passed on 23 April 2018, the financial year end date of the Company has been changed from 31 March to 31 December effective from 31 December 2018 in order to align the financial year end date of the Company with SSHY, the ultimate holding company of the Company's controlling shareholder. Details regarding change of financial year end date are disclosed in the Company's announcement dated 23 April 2018.

DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 March 2018.

For the year ended 31 March 2017, a final dividend of HK$0.213 per ordinary share was declared and paid in August 2017.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the annual general meeting ("AGM")

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 21 August 2018 to Friday, 24 August 2018 (both dates inclusive), during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:30 p.m. on Monday, 20 August 2018.

INVESTMENT PROPERTIES

The Group's investment properties as at 31 March 2018 were revalued by an independent firm of professional properties valuers using income capitalisation approach and direct comparison approach. Details of movements in the investment properties of the Group during the year are set out in note 17 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company and the issue of shares made by the Company during the year are set out in note 25 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would obligate the Company to offer new shares on a pro-rata basis to existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2018.

CONVERTIBLE NOTES

The Company issued the convertible notes in December 2015 (the "Convertible Notes"). Details of the issue and movements in the Convertible Notes during the year are set out in note 23 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

RESERVES

Movements in reserves of the Group and the Company during the year are set out on pages 66 and 133 of this annual report respectively.

As at 31 March 2018, the Company's reserve available for distribution to Shareholders, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) amounted of approximately HK$93,442,000 (2017: approximately HK$329,557,000).

SHARE OPTION SCHEMES

Particulars of the share option schemes, share options granted and movement are set out in note 29 to the consolidated financial statements.

MAJOR PROPERTIES

Particulars of the major properties held by the Group are set out on page 136.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 135 of this annual report.

DIRECTORS

The Directors during the financial year and subsequent to the end of reporting period were:

Executive Directors

Mr. Wang Junyong	(appointed on 12 January 2018 and appointed as the Chairman on 2 February 2018)
Mr. Fan Xuerui	(appointed on 12 January 2018)
Mr. Sun Meng	(appointed on 12 January 2018)
Mr. Sun Feng	(appointed on 12 January 2018)
Mr. Ng Ian	(resigned on 2 February 2018 and resigned as the Chairman on 2 February 2018)
Mr. Chan Kwok Hung	(resigned on 2 February 2018)

Non-executive Directors

Mr. Ng Chun For, Henry	(resigned on 2 February 2018)
Mr. Mak Wah Chi	(resigned on 2 February 2018)

Independent non-executive Directors

Mr. Hung Ka Hai Clement	(appointed on 12 January 2018)
Mr. Liew Fui Kiang	(appointed on 12 January 2018)
Mr. Wong Sai Tat	(appointed on 12 January 2018)
Mr. Li Kit Chee	(resigned on 2 February 2018)
Mr. Chu Tak Sum	(resigned on 2 February 2018)
Mr. Chan Kam Man	(resigned on 2 February 2018)

In accordance with the Company's Bye-laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Messrs. Sun Feng, Liew Fui Kiang and Wong Sai Tat, will retire from office at the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

The resignation of each of Mr. Ng Ian, Mr. Chan Kwok Hung, Mr. Mak Wah Chi, Mr. Ng Chun For, Henry, Mr. Li Kit Chee, Mr. Chan Kam Man and Mr. Chu Tak Sum (collectively, the "Resigned Directors") was due to change in control of the Company.

Each of the Resigned Directors has respectively confirmed that (i) he has no disagreement with the Board; and (ii) there is no matter relating to his resignation that needs to be brought to the attention of the Shareholders.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management as at the date of this report are set out on pages 23 to 26 of this annual report.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF CHAPTER 13 OF THE LISTING RULES

On 20 March 2018, Top Bright Properties Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with a financial institution for a term loan facility in the principal amount of HK$570 million. On 15 June 2018, Top Bright Properties Limited, entered into a supplemental agreement with a financial institution for a term loan facility in the principal amount of HK$212 million.

On 15 June 2018, each of Smart Land Properties Limited and Pioneer Delight Limited, both being indirect wholly-owned subsidiaries of the Company, entered into an agreement with a financial institution for a term loan facility in the principal amount of HK$50 million and HK$25 million.

Pursuant to the terms of the aforesaid loan agreements, it will constitute an event of default if Mr. Chen Lijun and Mr. Chen Jianming (the ultimate controlling shareholder of the Company) fail to collectively maintain not less than 55% beneficial shareholding in the Company or maintain control over the management and business of the Group.

DIRECTORS' SERVICE CONTRACTS

Upon the appointments of four executive Directors with effect from 12 January 2018, each of Mr. Wang Junyong, Mr. Fan Xuerui, Mr. Sun Meng and Mr. Sun Feng has entered into their respective service contracts with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Upon the appointments of three independent non-executive Directors with effect from 12 January 2018, each of Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat has also entered into their respective appointment letters with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive).

No Director who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS' on page 17 of this annual report, at no time during the year were rights to acquire benefits by means of the acquisitions of shares, or underlying shares in, or debenture of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

There was no competing business of which a Director of the Company had an interest which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2018 and 31 March 2017, no revenue from customers with whom transactions in aggregate have exceeded 10% of the Group's revenue during the year.

For the year ended 31 March 2018, and 31 March 2017 the Group did not have any suppliers because no cost of sales was recorded.

None of the Directors, their close associates or any Shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interests in any major customers or suppliers noted above.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 March 2018, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required and pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 31 March 2018, Shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange were as follows:

		As at 31 March 2018 (1)	
Name of substantial shareholder	**Capacity and nature of interest**	**Number of ordinary shares and underlying shares interested L-(long position)/ S-(short position)**	**Approximate percentage of issued share capital of the Company**
Sansheng Hongye (Hong Kong) Limited	Beneficial owner	L – 935,699,457 (2) S – 152,183,308 (3)	83.17% 13.53%
上海三盛宏業投資(集團)有限責任公司 (Shanghai Sansheng Hongye Investment (Group) Company Limited*) (4)	Interest of Controlled Corporate	L – 935,699,457 (2) S – 152,183,308 (3)	83.17% 13.53%
Chen Jianming (4)	Interest of Controlled Corporate	L – 935,699,457 (2) S – 152,183,308 (3)	83.17% 13.53%
Chen Yanhong (4)	Interest of spouse	L – 935,699,457 (2) S – 152,183,308 (3)	83.17% 13.53%

Notes:

(1) Based on 1,125,027,072 ordinary shares of the Company in issue as of 31 March 2018.

(2) Sansheng Hongye (Hong Kong) Limited held 921,983,747 ordinary shares of the Company and a convertible note in the principal amount of HK$11,000,000 which is convertible into 13,715,710 ordinary shares of the Company.

(3) The Company was notified that Sansheng Hongye (Hong Kong) Limited had a short position of (i) 48,770,971 underlying shares of the Company pursuant to unlisted physically settled equity derivatives as a result of the granting by Sansheng Hongye (Hong Kong) Limited of call options to acquire from Sansheng Hongye (Hong Kong) Limited 48,770,971 shares of the Company; and (ii) 103,412,337 underlying shares of the Company pursuant to unlisted physically settled equity derivatives as a result of the placing of certain shares by Sansheng Hongye (Hong Kong) Limited under a placing agreement.

(4) 上海三盛宏業投資(集團)有限責任公司 (Shanghai Sansheng Hongye Investment (Group) Company Limited*) ("SSHI") controlled 100% of the voting power of Sansheng Hongye (Hong Kong) Limited, and Mr. Chen Jianming controlled 76.93% of the voting power of SSHI. Accordingly, both SSHI and Mr. Chen Jianming were deemed to be interested in shares and underlying shares held by Sansheng Hongye (Hong Kong) Limited. Ms. Chen Yanhong, as the spouse of Mr. Chen Jianming, was deemed to be interested in the shares and underlying shares which Mr. Chen Jianming was interested in.

Save as disclosed above, as at 31 March 2018, the Company had not been notified by any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

* *for identification purpose only*

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 29 to the consolidated financial statements.

Set out below are the details of movements in the outstanding of share options under the share option scheme previously adopted on 3 September 2003 and lapsed on 2 September 2013 ("2003 Scheme"):

					Number of share options			
Name of Grantee	Notes	Date of grant of share options	Exercise price HK$	Exercise price per share after adjustments (note 3) HK$	Outstanding as at 1 April 2017	Exercised during the year	Outstanding as at 31 March 2018	Weighted average closing price of shares immediately before the dates on which options were exercised HK$
Eligible participants	(1)	31 August 2007	1.156	1.1394	514,612	(514,612)	–	1.41
Employees	(2)	18 April 2011	0.66	0.6505	3,551,144	(3,551,144)	–	2.43
					4,065,756	(4,065,756)	–	

Notes:

(1) The exercisable period is from 31 August 2007 to 30 August 2017 (both dates inclusive).

(2) The exercisable period is from 18 April 2016 to 17 April 2021 (both dates inclusive).

(3) Adjustments in relation to share options of the 2003 Scheme which remained outstanding as of 4 September 2014 were effective on 4 September 2014. For details of the adjustments, please refer to the Company's announcement dated 4 September 2014.

Set out below are the details of movements in the outstanding share options under the share option scheme pursuant to Shareholders' resolution passed at annual general meeting held on 3 September 2013 ("2013 Scheme"):

					Number of share options					
Name of Grantee	Notes	Date of grant of share options	Exercise price HK$	Exercise price per share after adjustments (note 5) HK$	Outstanding as at 1 April 2017	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding as at 31 March 2018	Weighted average closing price of shares immediately before the dates on which options were exercised HK$
Mr. Ng Ian (Director)	(3)	28 August 2015	0.878	N/A	5,300,000	–	(5,300,000)	–	–	2.43
(resigned on 2 February 2018)	(6)	2 September 2016	1.114	N/A	4,488,000	–	(4,488,000)	–	–	2.43
Mr. Chan Kwok Hung	(1)	30 April 2014	1.036	1.0211	1,014,612	–	–	(1,014,612)	–	N/A
(Director) (resigned on	(2)	5 September 2014	0.9100	N/A	2,850,000	–	–	(2,850,000)	–	N/A
2 February 2018)	(3)	28 August 2015	0.878	N/A	5,198,000	–	–	(5,198,000)	–	N/A
	(4)	31 March 2016	1.382	N/A	4,517,000	–	–	(4,517,000)	–	N/A
Eligible participants	(1)	30 April 2014	1.036	1.0211	7,102,290	–	(7,102,290)	–	–	2.43
	(4)	31 March 2016	1.382	N/A	9,717,000	–	(9,717,000)	–	–	2.43
					40,186,902	–	(26,607,290)	(13,579,612)	–	

Notes:

(1) The exercisable period is from 30 April 2014 to 29 April 2024 (both dates inclusive).

(2) The exercisable period is from 5 September 2014 to 4 September 2024 (both dates inclusive).

(3) The exercisable period is from 28 August 2015 to 27 August 2025 (both dates inclusive).

(4) The exercisable period is from 31 March 2016 to 30 March 2026 (both dates inclusive).

(5) Adjustments in relation to share options of the 2013 Scheme which remained outstanding as of 4 September 2014 were effective on 4 September 2014. For details of the adjustments to the share options, please refer to the Company's announcement dated 4 September 2014.

(6) The exercisable period is from 2 September 2016 to 1 September 2026 (both dates inclusive).

Apart from the foregoing, at no time during the year was the Company, its holding Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INDEMNITIES

In accordance with the bye-law 166(1) of the Bye-laws, every director and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

Such permitted indemnity provisions have been in force throughout the year under review and is currently in force at the time of approval of this report.

Accordingly, the Company has arranged Directors' and officers' liability insurance coverage for the Directors and officers of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could affect the Group's business model, future performance and solvency which are considered by the Board on a regular basis. The Board, through Audit Committee by establishing and maintaining the Group's internal control system and risk management process to monitor significant risks in order to achieve the Group's strategic objectives and mission. Additional information on the Group's risk management and internal control is set out in the Corporate Governance Report. The key major risks affecting the Group's business are as follows:

Economic and Financial Risk

The Group's investment properties are located in Hong Kong and thus the Group's revenue and results of operations are exposed to the risk of uncertain and/or negative performance of Hong Kong economics, and financial and property markets, either directly or indirectly through restrictions in the availability of credit from the Group's bankers and the Group's investment properties – tenants in terms of reduction in rental income and occupancy. Such adverse impact in effect might reduce the Group's rental revenue, increase finance cost and decrease fair value of the Group's investment properties and net asset values.

Regulatory Risk

The Group is subject to the introduction of new laws, policies or regulations, changes in the interpretation or application of new laws, policies and regulations applicable to the Group.

During the year ended 31 March 2018, as far as the Company is aware, there was no material breach or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group.

SUFFICIENCY OF PUBLIC FLOAT

As disclosed in (i) the announcement jointly issued by Sansheng Hongye (Hong Kong) Limited (the "Offeror") and the Company dated 22 December 2017 (the "Offers Announcement"); and (ii) the announcement jointly issued by the Offeror and the Company dated 2 February 2018, after the close of mandatory unconditional cash offers, 141,145,325 shares were held by the public (as defined under the Listing Rules), representing approximately 12.55% of the total number of issued share of the Company. Accordingly, the Company did not satisfy the minimum public float requirement of 25% under the Rule 8.08(1)(a) of the Listing Rules. The Company made an application to the Stock exchange for a waiver from strict compliance with Rule 8.08(1)(a) from 2 February to 23 March 2018 and an extension of the expiry date of the waiver from 23 March 2018 to 23 April 2018.

For more details of the waiver and the restoration of public float, please refer to the following announcements of the Company: (i) the announcement of the Company dated 5 February 2018 regarding the suspension of trading of shares of the Company pending the restoration of public float; (ii) the announcement of the Company dated 8 February 2018 regarding the grant of waiver (the "Waiver") by the Stock Exchange to the Company from the strict compliance with the minimum public float requirement; (iii) the announcement of the Company dated 23 March 2018 regarding the application for extension of the expiry date of the Waiver; (vi) the announcement of the Company dated 27 March 2018 regarding the grant of extension of the expiry date of the Waiver; and (vii) the announcement of the Company dated 23 April 2018 regrading the restriction of public float and resumption of trading.

EVENTS AFTER THE REPORTING PERIOD

(1) On 23 April 2018, the Board announced that it has resolved to change the financial year end date of the Company from 31 March to 31 December effective after the publication of the forthcoming annual results for the year ended 31 March 2018. After the publication of the annual results for the year ended 31 March 2018, the next financial year end date of the Company will be 31 December 2018 and the next audited financial statements of the Group will cover the period of nine months from 1 April 2018 to 31 December 2018.

(2) A special resolution was passed by the Company's Shareholders at the special general meeting held on 24 May 2018 to approve the change of the English name of the Company from "Henry Group Holdings Limited" to "Zhongchang International Holdings Group Limited" and the adoption of "中昌國際控股集團有限公司" as the secondary name in Chinese of the Company to replace its existing secondary name in Chinese "鎮科集團控股有限公司" which is used for identification purpose only.

(3) On 15 June 2018, Top Bright Properties Limited, an indirect wholly-owned subsidiary of the Company, entered into a supplemental agreement with a financial institution for a term loan facility in the principal amount of HK$212 million. On the same day, each of Smart Land Properties Limited and Pioneer Delight Limited, both being indirect wholly-owned subsidiaries of the Company, entered into an agreement with a financial institution for a term loan facility in their respective principal amount of HK$50 million and HK$25 million. Pursuant to the terms of the aforesaid loan agreements, it will constitute an event of default if Mr. Chen Lijun and Mr. Chen Jianming (the ultimate controlling shareholder of the Company) fail to collectively maintain not less than 55% beneficial shareholding in the Company or maintain control over the management and business of the Group.

AUDITORS

The consolidated financial statements for the year ended 31 March 2018 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting, and who, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

FAN Xuerui
Executive Director

Hong Kong, 25 June 2018

DIRECTORS

Executive Directors

Mr. WANG Junyong ("Mr. Wang")

Mr. Wang, aged 36, was appointed as an executive Director on 12 January 2018 and as the Chairman of the Board on 2 February 2018. He was also appointed as the Chairman of the executive committee of the Company ("Executive Committee") on 2 February 2018. Mr. Wang joined Shanghai Sansheng Hongye Investment (Group) Company Limited ("SSHI") in 2005 and has held various positions in the capital planning and investment departments. Mr. Wang is currently the vice president of SSHI overseeing the capital planning, audit and financial services departments. Mr. Wang obtained a bachelor's degree in economics from 江蘇科技大學 (Jiangsu University of Science and Technology) in 2005 and a master's degree in business administration from 華東理工大學 (East China University of Science and Technology) in 2013. Mr. Wang is responsible for overall strategic plainning and the supervision of the operation of the Group.

Mr. Wang has entered into a service contract with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Mr. Wang has not received any remuneration since his appointment and his future remunerations would be subject to the review by the Remuneration Committee. Mr. Wang is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. FAN Xuerui ("Mr. Fan")

Mr. Fan, aged 30, was appointed as an executive Director on 12 January 2018 and he was also appointed as member for each of the Nomination Committee, the Remuneration Committee and the Executive Committee on 2 February 2018. Mr. Fan is also a director of all the non-PRC subsidiaries of the Company. Mr. Fan joined SSHI in 2016 and is currently the director and general manager of the investment department of SSHI mainly responsible for SSHI's investment and mergers and acquisition projects. Prior to joining SSHI, Mr. Fan worked in the investment banking department of 國信證券股份有限公司 (Guosen Securities Co., Ltd.*, a company listed on the Shenzhen Stock Exchange with stock code: 002736 CH) from 2013 to 2015. Mr. Fan obtained a bachelor's degree in management and a master's degree in accounting from 上海交通大學 (Shanghai Jiao Tong University) in 2010 and 2013 respectively. Mr. Fan also graduated from École Centrale Paris in 2013 with a Master Degree in Engineering of Arts and Manufactures. Mr. Fan has obtained the certificate for passing all the required subjects of the professional stage of The National Uniform CPA Examination of the PRC in 2015. Mr. Fan is the son-in-law of Mr. Chen Jianming, the ultimate controlling shareholder of the Company. Mr. Fan is responsible for implementation of business plan and supervision of operation of the Group.

Mr. Fan has entered into a service contract with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Mr. Fan has not received any remuneration since his appointment and his future remunerations would be subject to the review by the Remuneration Committee. Mr. Fan is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. SUN Meng

Mr. Sun Meng, aged 31, was appointed as an executive Director on 12 January 2018 and he was also appointed as member of Executive Committee of the Company on 2 February 2018. Mr. Sun Meng joined SSHI in 2012 and is currently the vice director and general manager of the capital planning department. Mr. Sun Meng obtained a bachelor's degree in business administration from 南開大學 (Nankai University) in 2009 and a master's degree from engineering from 北京大學 (Peking University) in 2012. Mr. Sun is responsible for the supervision of the Group with focus on the financial control of the Group.

Mr. Sun Meng has entered into a service contract with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Mr. Sun Meng has not received any remuneration since his appointment and his future remunerations would be subject to the review by the Remuneration Committee Mr. Sun Meng is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. SUN Feng

Mr. Sun Feng, aged 38, was appointed as an executive Director on 12 January 2018 and he was also appointed as member of Executive Committee of the Company on 2 February 2018. Mr. Sun Feng has been the Chairman and the general manager of 上海康橙投資管理股份有限公司 (Shanghai Kangcheng Capital Co., Ltd*) and the general partner of 上海漢上資產管理合夥企業(有限合夥) (Shanghai Hanshang Asset Management Limited Partnership*) since 2014. From 2006 to 2014, Mr. Sun Feng worked in the listed company supervision department in Shanghai Stock Exchange and was responsible for supervision of the disclosures of listed companies.

Mr. Sun Feng has also been (i) an independent director of 浙江棒杰數碼針織品股份有限公司 (Zhejiang Bangjie Digital Knitting Share Co., Ltd*, stock code: 002634 CH) since 2014; (ii) an independent director of 浙江哈爾斯真空器皿股份有限公司 (Zhejiang Haers Vacuum Containers Co., Ltd.*, stock code: 002615 CH) from 2014 to 2017; and (iii) a director of 河北先河環保科技股份有限公司 (Hebei Sailhero Environmental Protection High-tech Co., Ltd.*, stock code: 300137 CH) from 2014 to 2016. All of these companies are listed on the Shenzhen Stock Exchange. Mr. Sun Feng has also been an independent director of 保定天威保變電氣股份有限公司 (Baoding Tianwei Baobian Electric Co., Ltd.*, a company listed on the Shanghai Stock Exchange with stock code: 600550 CH) since 2014.

Mr. Sun Feng obtained a bachelor's degree in management from 河海大學 (Hohai University) in 2002. He also obtained a master's degree in economics from 南開大學 (Nankai University) in 2006 and a doctoral degree in business administration from 復旦大學 (Fudan University) in 2015. Mr. Sun is responsible for the supervision of the operation of the Group.

Mr. Sun Feng has entered into a service contract with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Mr. Sun Feng has not received any remuneration since his appointment and his future remunerations would be subject to the review by the Remuneration Committee. Mr. Sun Feng is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. HUNG Ka Hai Clement ("Mr. Hung")

Mr. Hung, aged 62, was appointed as an independent non-executive Director on 12 January 2018 and he was also appointed as the Chairman of the Audit Committee and member of the Remuneration Committee on 2 February 2018. Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles before he took up the Chairman role of Deloitte China from 2014 to 2016. He retired from the Chairman role of Deloitte China with effect from June 2016.

Mr. Hung is currently serving as the independent non-executive director of the following companies listed on the Stock Exchange: LT Commercial Real Estate Limited (stock code: 112) since June 2017; Sheng Ye Capital Limited (stock code: 8469) since June 2017; and Gome Finance Technology Co., Ltd. (formerly known as Sino Credit Holdings Limited, stock code: 628) since October 2016. Mr. Hung is also serving as the non-executive director of High Fashion International Limited (stock code: 608) and SMI Holdings Group Limited (stock code: 198) since June and March 2017, respectively.

Mr. Hung obtained a bachelor's degree in accountancy from UK Huddersfield University. He was admitted as an honorary member of the Shenzhen Institute of Certified Public Accountants in 2004.

Mr. Hung has entered into an appointment letter with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Pursuant to the appointment letter, Mr. Hung is entitled to receive an annual director's fee of HK$360,000 which was determined by the Board with reference to his background, qualifications, experience, level of responsibilities undertaken with the Company and prevailing market conditions. The director's fee is payable on a time pro-rata basis for any non-full year's service. Mr. Hung is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. LIEW Fui Kiang ("Mr. Liew")

Mr. Liew, aged 51, was appointed as an independent non-executive Director of the Company on 12 January 2018 and he was also appointed as the Chairman of the Nomination Committee and member of the Audit Committee on 2 February 2018. Mr. Liew is currently the chairman and an executive director of PacRay International Holdings Limited, (a company listed on the Stock Exchange with stock code: 1010).

Mr. Liew was an independent director of 寶山鋼鐵股份有限公司 (Baoshan Iron & Steel Company Limited*, a company listed on the Shanghai Stock Exchange with stock code: 600019 CH) from 2000 to 2006, and an independent non-executive director of 中船海洋與防務裝備股份有限公司(CSSC Offshore & Marine Engineering (Group) Company Limited*, a company dually listed on the Stock Exchange with stock code: 317 and the Shanghai Stock Exchange with stock code: 600685 CH) in 2015.

Mr. Liew is a solicitor of England and Wales as well as Hong Kong. He obtained a bachelor's degree in laws from the University of Leeds in 1989. He also obtained a master's degree in business administration (investment and finance) from the University of Hull Business School in 1996. Mr. Liew was admitted as a fellow of the Hong Kong Institute of Directors in 2011.

Mr. Liew has entered into an appointment letter with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Pursuant to the appointment letter, Mr. Liew is entitled to receive an annual director's fee of HK$360,000 which was determined by the Board with reference to his background, qualifications, experience, level of responsibilities undertaken with the Company and prevailing market conditions. The director's fee is payable on a time pro-rata basis for any non-full year's service. Mr. Liew is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. WONG Sai Tat ("Mr. Wong")

Mr. Wong, aged 56, was appointed as an independent non-executive Director on 12 January 2018 and he was also appointed as the Chairman of the Remuneration Committee and member for each of the Audit Committee and the Nomination Committee on 2 February 2018. From 2015 to 2018, Mr. Wong acted as the chief operating officer of property division in South China Holdings Company Limited, a company listed on the Stock Exchange with stock code: 413. From 2004 to 2015, Mr. Wong served as the executive vice president and general manager of China operations at Eton Properties (China) Limited. Mr. Wong also served Dynamic Holdings Limited (a company listed on the Stock Exchange with stock code: 29) from 1992 to 2015 with his last position as its general manager of China operations and executive director.

Mr. Wong obtained a bachelor's degree in business administration and a master's degree in business administration from 香港中文大學 (Chinese University of Hong Kong) in 1985 and 1988 respectively. Mr. Wong also obtained a postgraduate certificate in project management from 同濟大學建設監理研究所 (Research Institute of Project Administration and Management of Tongji University) in 1997. Mr. Wong was admitted as a fellow of the Association of Chartered Certified Accountants in 1995 and as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in 1990. He was also admitted as an ordinary member of the Hong Kong Securities and Investment Institute in 2018.

Mr. Wong has entered into an appointment letter with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Pursuant to the appointment letter, Mr. Wong is entitled to receive an annual director's fee of HK$360,000 which was determined by the Board with reference to his background, qualifications, experience, level of responsibilities undertaken with the Company and prevailing market conditions. The director's fee is payable on a time pro-rata basis for any non-full year's service. Mr. Wong is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

SENIOR MANAGEMENT

Mr. Lee Pui Lam ("Mr. Lee") (Aged 47)

Mr. Lee was appointed as the Financial Controller and Company Secretary of the Company with effect from 1 January 2006. Mr. Lee has been promoted to Chief Financial Officer since 1 April 2011. Mr. Lee holds a Master Degree in Professional Accounting awarded from The Hong Kong Polytechnic University and Diploma in law awarded from University of London. Mr. Lee is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Mr. Lee worked for a number of main board and GEM board listed companies in Hong Kong and has extensive professional experience in auditing, accounting and financial management.

Mr. Wong Cheuk Kit, Joe (Aged 45)

Mr. Wong Cheuk Kit, Joe Joined the company with effect from 8 July 2013 and currently is the Group's Property Manager. Prior to joining the Company. Mr. Wong Cheuk Kit, Joe worked for a number of international property firms and celebrated property developers and has over 15-years extensive experience in project management & property management.

The Company is committed to good corporate governance practices in order to safeguard the interests of the Shareholders. This is essential to the success of the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has adopted a corporate governance code prepared based on the code provisions (the "Code Provisions") of the latest revised code on corporate governance (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from time to time as the guidelines for corporate governance of the Company, and has complied with the CG Code throughout the year, with the following exceptions:

1. Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and chief executive officer should be separate and should not be performed by the same individual.

   Mr. Ng Ian was appointed as the Chairman of the Company and resigned as the deputy chairman and chief executive officer of the Company ("CEO") on 28 March 2013 and no CEO has been appointed since then. For the period from 1 April 2017 to 2 February 2018 (being date of Mr. Ng Ian's resignation), Mr. Ng Ian took up both the roles of the Chairman and CEO. The Board considered that the management structure of the Board could be optimised by Mr. Ng Ian taking up both the roles of Chairman and CEO of the Company after considering the following factors:

   a. it would not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority was ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss issues pertaining to the operations of the Company; and

   b. it was conducive to strong and consistent leadership, and enabled the Group to make and implement decisions promptly and efficiently.

   With Mr. Ng Ian's resignation as an executive Director and the Chairman of the Company with effect from 2 February 2018, Mr. Wang Junyong (an executive Director appointed on 12 January 2018) has been appointed as the Chairman of the Company with effect from 2 February 2018. Since then, the duties and responsibilities of the CEO have been taken up by the Executive Committee. The Company is presently identifying a suitable candidate to be appointed as the CEO and will make further announcement upon such appointment.

2. Code Provision A.6.7 of the CG Code stipulates that independent non-executive Directors and other non-executive Directors should attend the general meetings of the Company and develop a balanced understanding of the views of the Shareholders.

   Mr. Ng Chun For, Henry (being non-executive director of the Company then) did not attend the annual general meeting of the Company 2016–2017 held on 17 August 2017 due to his other prior business engagement.

3. Code Provision D.1.4 of the CG Code stipulates that all Directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment.

For the period from 1 April 2017 to 2 February 2018, the Company had no formal letters of appointment for (i) Mr. Ng Ian and Mr. Chan Kwok Hung, the executive Directors of the Company then; (ii) Mr. Ng Chun For Henry and Mr. Mak Wah Chi, the non-executive Directors of the Company then; and (iii) Mr. Li Kit Chee, Mr. Chan Kam Man and Mr. Chu Tak Sum, the independent non-executive Directors of the Company then (collectively "Former Directors") as most of them had been serving as Directors of the Company for a considerable period of time, and clear understanding of the terms and conditions of their appointment already existed between the Company and the Former Directors, and so there was no written record of the same. In any event, all Former Directors, including those without a letter of appointment and those appointed for a specific term, were subject to retirement by rotation in the manner prescribed under the Bye-laws of the Company and on re-election of the retiring Directors, Shareholders would be given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant Directors.

On the other hand, each of the executive Directors pointed with effect from 12 January 2018 (i.e. Mr. Wang Junyong, Mr. Fan Xuerui, Mr. Sun Meng and Mr. Sun Feng) has entered into a service contract with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive); and each of the independent non-executive Directors (i.e. Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat) has entered into an appointment letter with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive).

The Former Directors resigned as Directors of the Company on 2 February 2018. Since then, the Company has complied with the code provision D.1.4 of the CG Code.

ROLES AND RESPONSIBILITIES OF THE BOARD AND DELEGATED FUNCTIONS OF THE MANAGEMENT

The Board is responsible for the leadership and overall control of the Company, oversees the Group's business, formulates strategic plans/decisions and monitors financial and operational performances, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board delegates its full powers and authorities to the executive committee ("Executive Committee") to do all such things, acts and deeds, to approve and enter into any agreement or document or transaction on behalf of the Company and to approve, execute and authorise the issue, publication or despatch of all such documents as the Executive Committee may consider necessary or desirable in connection with the normal and ordinary course of business and the day-to-day management and operation of the Company (subject to any regulations, resolutions and/or restrictions that may be imposed upon the Committee by the Board from time to time), except for matters as set out in paragraphs 6.1 to 6.13 of the terms of reference of the Executive Committee ("Board Reserved Matters"). The Board Reserved Matters include, without limitation, the following:

(i) matters involving a conflict of interest for a substantial shareholder and/or a Director;

(ii) declaration or recommendation of dividend or payment of other distributions;

(iii) approving any proposed change in the capital structure;

(iv) approving any decision to change the general character or nature of the business of the Company;

(v) proposal to the Shareholders of the Company to put the Company into liquidation;

(vi) approving any transaction under Chapter 14 and/or Chapter 14A of the Listing Rules; and

(vii) approving any announcement under Chapter 13 of the Listing Rules.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions including (i) developing and reviewing the Company's policies, practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and (iv) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

BOARD COMPOSITION

The board of Directors of the Company ("Board"), currently comprises seven Directors, including four executive Directors and three independent non-executive Directors. The Company has three independent non-executive Directors, representing more than one-third of the Board. At least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 23 to 25 of this annual report. Saved as disclsoed, there is no relationship, including financial, business, family or other material relevant relationship, among the members of the Board.

The changes in members of the Board and the board committees (the "Board Committees") during the year and up to the date of this report are as follows:

(1) Messrs. Wang Junyong, Fan Xuerui, Sun Meng and Sun Feng have been appointed as executive Directors with effect from 12 January 2018;

(2) Messrs. Hung Ka Hai Clement, Liew Fui Kiang and Wong Sai Tat have been appointed as independent non-executive Directors with effect from 12 January 2018;

(3) Mr. Ng Ian resigned as the Chairman of the Board and executive Directors with effect from 2 February 2018;

(4) Mr. Wang Junyong has been appointed as the Chairman of the Board and the Chairman of the Executive Committee of the Company with effect from 2 February 2018;

(5) Mr. Fan Xuerui has been appointed as a member of the Executive Committee, a member of the Nomination Committee and a member of the Remuneration Committee with effect from 2 February 2018;

(6) Mr. Sun Meng and Mr. Sun Feng have been appointed as members of the Executive Committee with effect from 2 February 2018;

(7) Mr. Chan Kwok Hung resigned as an executive Director with effect from 2 February 2018;

(8) Mr. Ng Chun For, Henry resigned as a non-executive Director with effect from 2 February 2018;

(9) Mr. Mak Wah Chi resigned as a non-executive Director, a member of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee with effect from 2 February 2018;

(10) Mr. Li Kit Chee resigned as an independent non-executive Director, the Chairman of the Audit Committee and the Chairman of the Remuneration Committee with effect from 2 February 2018;

(11) Mr. Chan Kam Man resigned as an independent non-executive Directors, the Chairman of the Nomination Committee and a member of the Nomination committee with effect from 2 February 2018;

(12) Mr. Chu Tak Sum resigned as an independent non-executive Director, a member of the Nomination Committee and a member of the Remuneration Committee with effect from 2 February 2018;

(13) Mr. Hung Ka Hai Clement has been appointed as the Chairman of the Audit Committee and a member of the Remuneration Committee with effect from 2 February 2018;

(14) Mr. Liew Fui Kiang has been appointed at the Chairman of the Nomination Committee and a member of the Audit Committee with effect from 2 February 2018; and

(15) Mr. Wong Sai Tat has been appointed at the Chairman of the Remuneration Committee and a member of the Audit Committee with effect from 2 February 2018.

THE BOARD

Number of meetings attended/eligible to attend

The Board held 4 regular meetings and 35 additional meetings during the financial year ended 31 March 2018.

The attendance of individual Directors for at the Board meetings and the general meeting held for the year ended 31 March 2018 are as follows:

Name of Directors	Regular Board Meetings	Additional Board Meetings(3)	Annual General Meeting
Executive Directors			
Mr. Fan Xuerui(4)	1/1(4)	3/5	N/A(4)
Mr. Wang Junyong *(Chairman)* (4)(6)(7)	1/1(4)	3/5	N/A(4)
Mr. Sun Meng(4)	1/1(4)	3/5	N/A(4)
Mr. Sun Feng(4)	1/1(4)	2/5	N/A(4)
Mr. Ng Ian(1)(2)(5)	4/4	28/32	1/1
Mr. Chan Kwok Hung(5)	4/4	32/32	1/1
Non-executive Directors			
Mr. Ng Chun For, Henry(1)(5)	4/4	7/32	0/1
Mr. Mak Wah Chi(5)	4/4	21/32	1/1
Independent non-executive Directors			
Mr. Hung Ka Hai Clement(4)(7)	1/1(4)	3/5	N/A(4)
Mr. Liew Fui Kiang(4)(7)	1/1(4)	3/5	N/A(4)
Mr. Wong Sai Tat(4)(7)	1/1(4)	3/5	N/A(4)
Mr. Li Kit Chee(5)	4/4	13/32	1/1
Mr. Chu Tak Sum(5)	4/4	20/32	1/1
Mr. Chan Kam Man(5)	4/4	13/32	1/1

Notes:

(1) Save as Mr. Ng Ian being a son of Mr. Ng Chun For, Henry and saved as disclosed, there was no relationship, including financial, business, family or other material relevant relationship, among the members of the Board.

(2) Resigned as Chairman on 2 February 2018.

(3) Additional Board Meetings are convened from time to time for the Board to discuss major matters that require the Board's timely attention.

(4) Appointment effective from 12 January 2018.

(5) Resignation effective from 2 February 2018.

(6) Appointed as Chairman of the Board on 2 February 2018.

(7) In addition, the Chairman of the Board held a meeting with the independent non-executive Directors without the presence of executive Directors during the year under review.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Ng Ian was appointed as the Chairman of the Company and resigned as the deputy Chairman and chief executive officer of the Company ("CEO") on 28 March 2013 and no CEO has been appointed since then. For the period from 1 April 2017 to 2 February 2018 (being the closing date of mandatory unconditional cash offers), Mr. Ng Ian took up both the roles of the Chairman and CEO. The Board considered that the management structure of the Board could be optimised by Mr. Ng Ian taking up both the roles of Chairman and CEO of the Company after considering the following factors:

a. it would not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority was ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss issues pertaining to the operations of the Company; and

b. it was conducive to strong and consistent leadership, and enabled the Group to make and implement decisions promptly and efficiently.

With Mr. Ng Ian's resignation as an executive Director and the Chairman of the Company with effect from 2 February 2018, Mr. Wang Junyong (an executive Director of the Company appointed on 12 January 2018) has been appointed as the Chairman of the Company with effect from 2 February 2018. Since then, the duties and responsibilities of the CEO have been taken up by the Executive Committee. The Company is presently identifying a suitable candidate to be appointed as the CEO and will make further announcement upon such appointment.

BOARD PROCEEDINGS

The company secretary of the Company ("Company Secretary") assists the Chairman in establishing the meeting agenda and each Director may request inclusion of items in the agenda. A notice of at least 14 days is given to all Directors for all Board meetings. Relevant information is circulated to all Directors normally three days in advance of the Board meetings.

With the assistance of the Company Secretary, the Chairman ensures that all Directors are properly briefed on issues arising from Board meetings and that they receive adequate information in a timely manner to assist them to make informed decisions and discharge their duties as Directors. Upon reasonable request, the Directors and Board Committees will have access to independent professional advice in appropriate circumstances at the Company's expense in carrying out their duties.

According to the current Board practice, if a substantial Shareholder or a Director has any conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The bye-laws of the Company ("Bye-laws") also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting on any Board resolution and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his close associates has a material interest.

Meeting minutes of the Board and Board Committees are recorded in appropriate details and draft minutes are circulated to the respective Board members for comments before being approved by the Board and Board Committees. All minutes are kept by the Company Secretary and are open for inspection by the Directors on reasonable notice.

Bye-law 166(1) of the Bye-laws provides that, among the others, every director and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices and related matters provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

Accordingly, the Company has arranged Directors' and officers' liability insurance coverage for the Directors and officers of the Company.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The code provision A.4.2 of the CG Code requires every Director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the Directors shall retire from office by rotation at each annual general meeting. The code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

In the annual general meeting of the Company held on 17 August 2017, the former Directors (Messrs. Ng Chun For, Henry, Mak Wah Chi, Chan Kam Man, Chu Tak Sum and Li Kit Chee) retired from office by rotation pursuant to Bye-laws and in accordance with the CG Code, and were re-elected as Directors. Each of Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang, and Mr. Wong Sai Tat, the independent non-executive Directors appointed on 12 January 2018, entered into an appointment letter with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive).

As such, all non-executive Directors including the independent non-executive Directors have been appointed for a specific term and accordingly the Company has been in compliance with the code provision A.4.1.

Pursuant the bye-laws of the Company, seven Directors newly appointed by the Board of the Company on 12 January 2018 (being Messrs. Fan Xuerui, Wang Junyong, Sun Meng, Sun Feng, Hung Ka Hai Clement, Liew Fui Kiang, and Wong Sai Tat), would hold office until the special general meeting held on 24 May 2018 ("SGM"). All of them offered themselves for re-election and were re-elected at the SGM.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual written confirmations of independence from all the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the independent non-executive Directors are independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules.

RESPONSIBILITIES OF DIRECTORS

The Directors acknowledged their responsibility for preparing the financial statements for the financial year ended 31 March 2018. Every Director is required to keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Group. On appointment, new Directors will receive a comprehensive, formal induction on the Group's business and his responsibilities as a Director.

All Directors are also encouraged to attend training courses relevant on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates at the Company's expenses.

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company or any of its subsidiaries or the holding companies who are considered to be likely in possession of inside information in relation to the Company or its securities.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each of the Directors newly appointed during the reporting period have received induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Seven Directors newly appointed on 12 January 2018 (being Messrs. Fan Xuerui, Wang Junyong, Sun Meng, Sun Feng, Hung Ka Hai Clement, Liew Fui Kiang and Wong Sai Tat) attended Directors training conducted by the Company 's legal adviser in February 2018.

Under the code provision A.6.5 of the CG Code, all Directors should participate in continuous development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors are continuously updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments to the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuous briefing and seminars on professional development for Directors are arranged where necessary. During the year ended 31 March 2018, regulatory updates and relevant materials on amendment to Listing Rules were sent to the Directors for their awareness of the latest development on statutory requirements.

The training each Director received during the year ended 31 March 2018 is summarized as below:

Name of Directors	Seminars on regulations and updates	Reading materials relating to regulatory update and corporate governance matters
Executive Directors		
Mr. Fan Xuerui	√	√
Mr. Wang Junyong	√	√
Mr. Sun Meng	√	√
Mr. Sun Feng	√	√
Mr. Ng Ian	√	√
Mr. Chan Kwok Hung	√	√
Non-executive Directors		
Mr. Ng Chun For, Henry	√	√
Mr. Mak Wah Chi	√	√
Independent non-executive Directors		
Mr. Hung Ka Hai Clement	√	√
Mr. Liew Fui Kiang	√	√
Mr. Wong Sai Tat	√	√
Mr. Li Kit Chee	√	√
Mr. Chu Tak Sum	√	√
Mr. Chan Kam Man	√	√

BOARD COMMITTEES

The Board currently has established four Board Committees, including, the Remuneration Committee, the Audit Committee, the Nomination Committee and the Executive Committees, for overseeing particular aspects of the affairs of the Group. All Board Committees have been established with specific terms of reference, which are available on the Company's website at http://www.zhongchangintl.hk. All the Board Committees should report to the Board on their decisions or recommendations made.

All Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. The duties and work done by the foregoing four Board Committees for the year ended 31 March 2018 are detailed below.

Remuneration Committee

The Remuneration Committee was established on 20 May 2005 and is governed by its terms of reference. The terms of reference have been posted on Company's website at http://www.zhongchangintl.hk. For the period from 1 April 2017 to 2 February 2018, the Remuneration Committee comprised a non-executive Director and two independent non-executive Directors, namely, Messrs. Mak Wah Chi, Li Kit Chee (Committee Chairman) and Chu Tak Sum ("Former Remuneration Committee"). On 2 February 2018, Messrs. Mak Wah Chi, Li Kit Chee and Chu Tak Sum resigned as the Chairman and/or members of the Remuneration Committee, and Mr. Wong Sai Tat was appointed as the Chairman and Mr. Hung Ka Hai Clement and Mr. Fan Xuerui were appointed as the members of Remuneration Committee ("New Remuneration Committee"). In this regard, with effect from 2 February 2018, the New Remuneration Committee comprised the following members: (i) Mr. Wong Sai Tat, the Chairman of the Remuneration Committee and an independent non-executive Director; (ii) Mr. Hung Kai Hai Clement, an independent non-executive Director; and (iii) Mr. Fan Xuerui, an executive Director.

The Remuneration Committee assists the Board to develop and administer fair and transparent procedures for setting policies on the remuneration of Directors and senior management of the Company, to assess their performance and with delegated responsibility to determine the remuneration packages of all executive Directors and make recommendations to the Board of the remuneration of non-executive Directors. It is also responsible for the administration of the share option schemes adopted by the Company, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time, the compensation payable to executive Directors and senior management in connection with any loss or termination of their office, their dismissal, removal or appointment; and advising Shareholders on how to vote with respect to any service contracts of Directors that requires Shareholders' approval under the Listing Rules.

During the year, the Former Remuneration Committee reviewed the remuneration packages of the newly appointed executive Directors and independent non-executive Directors. It also determined by policy of remuneration of the executive Directors, assessed the performance of the executive Directors and approved the terms of executive Directors' service contracts.

Details of Directors' emoluments on named basis for the year ended 31 March 2018 are set out in note 11 to the consolidated financial statements. In addition, pursuant to the code provision B.1.5, the annual remuneration of the senior management by bands for the year ended 31 March 2018 is set out below:

Remuneration bands	No. of senior management 2018
HK$500,001–HK$1,000,000	1
HK$1,000,001–HK$1,500,000	1
HK$2,000,001–HK$2,500,000	1
	3

The Former Remuneration Committee held 1 meeting during the year and the record of attendance of its members is as follows:

Name of member of the Former Remuneration Committee	Attendance/Number of meeting(s)
Mr. Li Kit Chee *(resigned as the chairman of Remuneration Committee with effect from 2 February 2018)*	1/1
Mr. Mak Wah Chi *(resigned with effect from 2 February 2018)*	1/1
Mr. Chu Tak Sum *(resigned with effect from 2 February 2018)*	1/1

Audit Committee

The Audit Committee was established on 20 May 2005 and is governed by its terms of reference which has been last revised on 4 December 2015 and are closely aligned with the relevant CG Code and are available on the Company's website at http://www.zhongchangintl.hk.

The Audit Committee meets at least twice a year to review the Company's interim and annual results and the integrity of the Group's financial statements. The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring that an effective and adequate system is in place for internal controls and risk management and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditors.

For the period from 1 April 2017 to 2 February 2018, the Audit Committee comprised a non-executive Director and two independent non-executive Directors, namely, Messrs. Mak Wah Chi, Li Kit Chee (committee chairman) and Chan Kam Man ("Former Audit Committee").

On 2 February 2018, Mr. Li Kit Chee, Mr. Mak Wah Chi and Mr. Chan Kam Man resigned as the chairman and/or members of the Audit Committee, and Mr. Hung Ka Hai Clement was appointed as the chairman and Mr. Liew Fui Kiang and Mr. Wong Sai Tat were appointed as member of the Audit Committee ("New Audit Committee").

In this regard, with effect from 2 February 2018, the New Audit Committee comprised the following members: (i) Mr. Hung Ka Hai Clement, the chairman of the Audit Committee and an independent non-executive Director; (ii) Mr. Liew Fui Kiang, an independent non-executive Director; and (iii) Mr. Wong Sai Tat, an independent non-executive Director.

Each member of the Audit Committee possesses in-depth experience in his own profession. Mr. Hung Ka Hai Clement and Mr. Wong Sai Tat possess appropriate accounting or relevant financial management expertise and meet the requirements of Rule 3.21 of the Listing Rules. During the year ended 31 March 2018 the Former Audit Committee had reviewed and discussed with management the accounting principles and practices adopted by the Group, audit, internal control and risk management systems and financial reporting matters including but not limited to the review of the completeness and accuracy of the unaudited interim report for the six months ended 30 September 2017 as well as audited consolidated financial statements for the year ended 31 March 2017 agreed by the external auditors.

The work performed by the Former Audit Committee during the year ended 31 March 2018 also included the following matters:

- considering the Company's compliance with statuory and regulatory requirements; developments in accounting standards and the effect on the Company;
- reviewing the effectiveness of the systems of internal control and risk management of the Group;
- reviewing and monitoring the independence and objectivity of external auditor and the effectiveness of the audit process; and
- discussing with the auditor the nature and scope of the audit and reporting obligations.

The Former Audit Committee held 2 committee meetings during the year under review and the record of attendance of its members is as follows:

Name of member of the Former Audit Committee	Attendance/Number of meetings
Mr. Li Kit Chee *(resigned as chairman of Audit Committee with effect from 2 February 2018)*	2/2
Mr. Mak Wah Chi *(resigned with effect from 2 February 2018)*	2/2
Mr. Chan Kam Man *(resigned with effect from 2 February 2018)*	2/2

Nomination Committee

The Nomination Committee was established on 19 March 2012 and is governed by its terms of reference which was revised on 1 September 2013, which are available on the Company's website at http://www.zhongchangintl.hk. For the period from 1 April 2017 to 2 February 2018, the Nomination Committee comprised a non-executive Director and two independent non-executive Directors, namely, Messrs. Mak Wah Chi, Chan Kam Man (Committee Chairman) and Chu Tak Sum.

On 2 February 2018, Mr. Chan Kam Man, Mr. Mak Wah Chi and Mr. Chu Tak Sum resigned as the Chairman and/or members of the Nomination Committee ("Former Nomination Committee"), and Mr. Liew Fui Kiang was appointed as the Chairman and Mr. Wong Sai Tat and Mr. Fan Xuerui were appointed as the members of the Nomination Committee ("New Nomination Committee").

In this regard, with effect from 2 February 2018, the New Nomination Committee comprised the following members; (i) Mr. Liew Fui Kiang, the Chairman of the Nomination Committee and an independent non-executive Director; (ii) Mr. Wong Sai Tat, an independent non-executive Director; and (iii) Mr. Fan Xuerui, an executive Director.

The principal duties of the Nomination Committee include, among other things, (i) to review the structure, size and composition of the Board at least annually; (ii) to make recommendations to the Board on the appointment and reappointment of Directors of the Company; and (iii) to assess the independence of independent non-executive Directors of the Company.

During the year under review, the Nomination Committee reviewed the composition and rotation of the Board and determined the policy for the nomination of Directors; and considered the appointments of seven new Directors appointed on 12 January 2018.

The Nomination Committee adopted the following procedures and criteria for nomination of Directors:

In relation to the nomination procedures:

1. When the Board considers it necessary to appoint a new Director, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of Directors. One or more members of the Board will attend the interview.

5. Conduct verification of information provided by the candidate.

6. Make recommendations to the Board on the appointment or re-appointment of Directors.

In relation to the nomination criteria:

1. Common Criteria for All Directors:

   (a) Character and integrity

   (b) The willingness to assume broad fiduciary responsibility

   (c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs

   (d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company

   (e) Significant business or public experience relevant and beneficial to the Board and the Company

   (f) Breadth of knowledge about issues affecting the Company

   (g) Ability to objectively analyse complex business problems and exercise sound business judgment

   (h) Ability and willingness to contribute special competencies to Board activities

   (i) Fit with the Company's culture

2. Criteria applicable to non-executive Directors/independent non-executive Directors:

   (a) Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director, including attendance at and active participation in Board and committee meetings

   (b) Accomplishments of the candidate in his/her field

   (c) Outstanding professional and personal reputation

   (d) The candidate's ability to meet the independence criteria for Directors established in the Listing Rules

BOARD DIVERSITY

The Company has adopted a board diversity policy ("Board Diversity Policy") since September 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Board will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Company considers that the current composition of the Board is characterised by diversity, whether considered in terms of professional background and skills.

The Former Nomination Committee held 1 committee meeting during the year and the record at attendance of its members is as follows:

Name of member of the Former Nomination Committee	Attendance/Number of meeting(s)
Mr. Chan Kam Man *(resigned as the chairman of Nomination Committee with effect from 2 February 2018)*	1/1
Mr. Mak Wah Chi *(resigned with effect from 2 February 2018)*	1/1
Mr. Chu Tak Sum *(resigned with effect from 2 February 2018)*	1/1

Executive Committee

To effectively manage the business affairs of the Group, the Executive Committee was established on 2 February 2018 and is governed by its terms of reference. The terms of reference are available on the Company's website at http://www.zhongchangintl.hk. The Executive Committee currently comprises four members all of whom are executive Directors, namely Messrs. Fan Xuerui, Wang Junyong, Sun Meng and Sun Feng.

Except for the Board Reserved Matters, the Board delegates its full general powers and authorities to the Executive Committee to do all such things, acts and deeds, to approve and enter into any agreement or document or transaction on behalf of the Company and to approve, execute and authorise the issue, publication or despatch of all such documents as the Executive Committee may consider necessary or desirable in connection with the normal and ordinary course of business and the day-to-day management and operation of the Company subject to any regulations, resolutions and/or restrictions that may be imposed by the Board from time to time.

The Executive Committee held 2 committee meetings during the year and the record at attendance of its members is as follows:

Name of member	Attendance/Number of meeting(s)
Mr. Wang Junyong *(Chairman of Executive Committee)*	2/2
Mr. Fan Xuerui	2/2
Mr. Sun Meng	2/2
Mr. Sun Feng	2/2

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The accounts for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting.

The reporting responsibilities of HLB Hodgson Impey Cheng Limited are stated in the Independent Auditors' Report on pages 60 to 63 of the annual report.

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work. For the year under review, the remuneration charged to the Group was HK$750,000 for statutory audit services and HK$430,000 for non-audit services respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

The management has overall responsibility to maintain appropriate and effective risk management and internal control systems, and the Board has the responsibility to review and monitor the effectiveness of the Group's risk management and internal control systems at least annually covering material controls, including financial, operational and compliance controls, to ensure that the systems in place are adequate and effective. The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company does not have an internal audit function. The Company has conducted an annual review on whether there is a need for an internal audit department. Given the Group's corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

Regarding the internal control system, the Company has adopted a set of internal control policies and procedures (including but not limited to retaining Jones Lang LaSalle Management Services Limited as property manager of the core investment properties to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations.

Directors and senior management are responsible for monitoring the performance of business operating units, identifying the operation risk of the Group and reporting to the Audit Committee any significant risks identified by submitting internal control report.

External auditors will report on the weakness in the Group's internal control and accounting procedure (if any) which have come to their attention during the course of audit. For the year ended 31 March 2018, no critical internal control issues have been identified.

Each year, the Audit Committee reviews the findings made by the external auditors in respect of issues encountered by it in preparation of the audit report, which often cover issues relating to internal control. The Audit Committee also reviews the internal control report regarding the risks of the Group submitted by the Company's senior management. The Audit Committee would also review the effectiveness of the internal control and risk management systems of the Group, including financial, operational and compliance, in the key activities of the Company's business, having considered the findings of the external auditors and the internal control report. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues including but not limited to material internal control defects and risks identified. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration. The Board would direct the management to implement the plans as appropriate.

The Board conducts a review of the effectiveness of the Group's risk management and internal control system at least annually. During the year under review, in the Audit Committee meeting and Board meeting held in June 2017, the Directors, through the Audit Committee, have reviewed the effectiveness of the Group's risk management and internal control system which covers review on all material controls including financial, operational and compliance controls and the relevant report, and other duties under the Code for the financial year ended 31 March 2017, so as to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions, and the Board considers such systems are effective and adequate.

Regarding the handling and dissemination of inside information, to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures and the preservation of confidential information, certain measures have been taken from time to time, which include:

1. the access of inside information is restricted to a limited number of employees on a need-to-know basis, who are fully aware of their obligations to preserve confidentiality; and

2. the executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

COMPANY SECRETARY

Mr. Lee, the Company Secretary appointed by the Board and an employee of the Company, in the opinion of the Board, possesses the necessary qualification and experience, and is capable of performance of the functions of the Company Secretary. The Company will provide fund for Mr. Lee to take not less than 15 hours of appropriate professional training in each financial year as required under Rule 3.29 of the Listing Rules.

INVESTORS' RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board shall maintain an on-going dialogue with Shareholders, investors and other stakeholders of the Company and shall ensure effective and timely dissemination of information to Shareholders and encourage their participation at general meetings of the Company.

The Shareholders' Communication Policy adopted on 19 March 2012 is available on the Company's website at http://www.zhongchangintl.hk. The Company communication channels include the annual general meeting, special general meeting, the annual and interim reports, notices, announcements and circulars, the Company's website at http://www.zhongchangintl.hk and meetings with investors and analysts.

The Company's annual general meeting ("AGM") is a valuable forum for the Board to communicate directly with Shareholders. Most Directors actively participates at the AGM and answer any questions from Shareholders. The chairmen of the Audit Committee, Remuneration Committee and Nomination Committee or in their absence, another member of the respective committees or failing that their respective duly appointed delegate, are also available to answer questions at the AGM. The Chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such Chairman is appointed, at least a member of the Independent Board Committee) will also be available to answer questions at any general meeting of Shareholders to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

During the year, the 2017 AGM was held on 17 August 2017. The attendance records of the Directors at the general meeting are set out in the section headed "The Board" of this report.

CONSTITUTIONAL DOCUMENTS

For the year ended 31 March 2018, there were amendments to the Bye-Laws approved at the annual general meeting held on 17 August 2017.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting.

All resolutions put forward at Shareholders' meeting of listed issuers shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange at http://www.hkexnews.hk and of the Company at http://www.zhongchangintl.hk after each Shareholders' meeting.

Convening a Special General Meeting by Shareholders

Pursuant to bye-law 58 of the bye-laws of the Company, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The Shareholder(s) shall make a written requisition to the Board or the Company Secretary at the principal place of business of the Company, specifying the shareholding information of the Shareholder(s), his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two months after the deposit of such written requisition. If within twenty-one days of the deposit of such written requisition, the Board fails to proceed to convene such special general meeting, the Shareholder(s) may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "Companies Act"). Pursuant to Bye-law 59, the Company shall serve requisite notice of the general meeting, specifying the time, place of meeting and the general nature of the business.

Put Forward Proposals at a General Meeting by Shareholders

Pursuant to the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next annual general meeting notice of such resolution; and (b) circulate to Shareholders entitled to receive notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in such proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the requisitionists may consist of several documents in like form, each signed by one or more of the requisitionists; and it must be deposited at the registered office the Company at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an annual general meeting is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required by the Companies Act shall be deemed to have been properly deposited for the purposes thereof.

Putting Forward Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong at Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

ABOUT THIS REPORT

Zhongchang International Holdings Group Limited (formerly known as Henry Group Holdings Limited) (the "Company") and its subsidiaries (collectively, the "Group") are pleased to present its Environmental, Social and Governance ("ESG") Report (the "Report") for the financial year ended 31 March 2018 (the "Reporting Period").

This Report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Guide") under the Main Board listing rules as set out by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). It adheres to the "comply or explain" provisions of the ESG Guide.

This Report aims to disclose the Group's commitment, management approach, operating practices, and performances relating to its social and environmental impacts that are material to the Group's operations. The Group is committed to disclosing available and material information in a transparent and responsible manner annually. This Report illustrates the ESG performance of the Group in a balanced manner.

The Board of Directors (the "Board") has overall responsibility for the Group's ESG strategy and reporting. It shall continuously evaluate and determine the Group's ESG-related risks, and ensure that appropriate and effective ESG risk management and internal control systems are in place. Due to the Group's principle business activity is engaged in property investment in Hong Kong during the Reporting Period, ESG-related risks are determined, managed and minimised through:

– Management's tireless effort in ensuring compliance with ESG-related aspects;

– Engagement with stakeholders on an ongoing basis;

– Collaborative effort between management and supply chain; and

– Engagement of external professional consultant, CKP Sustainability Consultants Limited, for the Report preparation.

These aforementioned measures will continue to ensure an effective risk management program moving forward.

The scope of this Report covers the operations of the Group's main investment properties, namely Jardine Center, as well as its leased properties headquarter office and warehouse in Hong Kong. Other investment properties of the Group, including disposed properties are considered immaterial, having taken into consideration their economic, environmental and social impact, and are hence not included in this Report. Relevant quantitative environmental and social data is disclosed with consideration to its materiality to the operations of the Group.

GOVERNANCE

The Group is committed to the good standards of corporate governance, and it maintains rigorous standards on implementation its business strategy. The pivotal role of effective corporate governance, along with sustainable principles, cannot be undermined for the Group to navigate through the uncertainties and instabilities within its market business environment.

Sustainability Approach

The Group is committed to sustainability for the benefit of its properties, tenants, employees, and communities. Sustainability is embraced as an opportunity for corporate growth and improvement, while also reducing its environmental impact and strengthening the communities it operates in.

The Group pays utmost attention to enhancing its corporate governance, maintaining a healthy supply chain relationship, and ensuring compliance with laws and regulations in relations to material environmental and social aspects.

During the Reporting Period, the Group has made effort, including maintaining its properties and managing its energy usage, in ensuring that its business operations deliver sustainable value for its Shareholders, employees, customers, business partners and other stakeholders. The Group shall continue to operate in an accountable manner through integrating sustainability considerations into its daily operations.

Corporate Governance	Compliance with Laws and Regulations	Supply Chain Relationship
The Group is committed to good ethical standards.	The Group strictly operates within the confines of all relevant laws and regulations.	The Group has engaged an internationally recognised property management company, Jones Lang LaSalle Management Services Limited ("JLL") for the provision of delivering and guaranteeing world-class building management service level for the Group's main investment properties, Jardine Center and L'Hart. JLL also assists the Group in overseeing and safeguarding ESG-related aspects' compliance matters.

Stakeholder Engagement

Engaging with its stakeholders is vital to the Group's sustainable development and improvement. The Group engages its employees, property management agent, tenants, and Shareholders on a regular basis. It also engages various regulatory bodies and the general public, whenever necessary. These engagements allow the Board and management team to understand stakeholders' priorities and concerns, to anticipate environmental or social related issues, and to mitigate relevant risks. Formal and informal communications channels are employed to facilitate transparent and effective conversations.

Stakeholder Groups	Communications Channels
Employees	• Business meetings and briefings • Performance appraisals • Training and materials, provided by professionals
Property Management Agent	• Monthly meetings • Site visit • Regular reports • Suppliers contracts submissions
Tenants	• Face-to-face contacts • Electronic communications • On-site services • Notice boards • Property management agent correspondences
Shareholders	• General meetings • Annual and interim reports • Announcements and circulars • Meeting notices
Regulatory Bodies	• On-site inspections • Compliance reports and letters
Community Groups	• Donations

Materiality Assessment

Through engaging with various stakeholders throughout the Reporting Period, the Group is able to understand and determine the materiality of numerous environmental and social aspects to the Group's operations. The Board also delegated management to proactively assess the importance and risks of various ESG aspects, and report the results of these engagements with aforesaid stakeholder groups, thereby enhancing the Board's understanding of relevant risks, such that the Group may employ applicable methods to strengthen its internal control and operations.

During the Reporting Period, the Group's management has evaluated the materiality of some ESG aspects. These aspects contribute to the Group's initial assessment of its overall sustainability strategy. These aspects include corporate governance, environmental protection, operational practices, labour practices, and community engagement. These aspects are further broken down into relevant factors, such as energy and water usage, anti-corruption practices, and training and development. The Group shall consider assessing materiality of each relevant factor in the future, in hopes of strengthening its sustainability strategy.

Business Conduct

The Group operates with good ethical standards and commitment to integrity. It continues to conduct business in a transparent and accountable manner. By doing so, it aims to foster a culture of trust among employees, supply chain and other stakeholders.

Corrupt practices, including bribery, extortion, fraud and money laundering, are intolerable and strictly prohibited. The Group has fully complied with the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and all other applicable legislation during the Reporting Period. Since March 2012, the Group has adopted a "Procedure for Employees Raising Concerns about Possible Improprieties in Financial Reporting, Internal Control or Other Matters" to set up confidential communication channels for employees to raise relevant concerns.

Engaged and monitored by the Group, JLL acts as a property management agent of the Group and plays a key role in the procurement processes, including selection of suppliers and vendors. This practice, in turn, minimises the Group's involvement and related risks in corrupt practices in its supply chain with their provision of reliable suppliers' networks. JLL's on-site employees at Jardine Center can locate relevant anti-corruption requirements and regulations, along with relevant whistle-blowing channels, in its staff handbook.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Group also uses a Code for Securities Transactions by Relevant Employees to set a strict standard to measure employees' conduct relating to transactions in securities of the Company. The policy governs the dealing in the Company's securities any time when employees are in possession of inside information.

Labour standards are upheld at all times to ensure all employment processes and operational procedures are free from child or forced labour. During recruitment, all candidates are required to submit legitimate identification, education and work references, and other relevant documents to allow for adequate background check. This process guarantees that all recruits are thoroughly vetted to meet all criteria needed to fulfil relevant job duties. If a false identity is provided, or should the candidate fails to meet our legal employment requirements, the recruitment procedure will be terminated immediately. Extra working hours are rightfully compensated according to employees' respective employment contracts.

The Group also respects the intellectual property of others. This means that it always obtains proper authorisation and/or licensing prior to using any intellectual property and strictly follow the terms of use. All of the computers at the headquarter office are equipped with individual formal licence to protect respective intellectual properties.

During the Reporting Period, there was no reported or prosecuted case of bribery, extortion, fraud, money laundering, child or forced labour.

Responsible Operation

The Group strives to improve its properties, processes and services on an ongoing effort by complying with all applicable laws and regulations, integrating sustainable practices into the behaviour of its supply chain, and safeguarding the health and safety of all personnel involved. The Group also endeavours to implement a responsible operation that minimises all risks from its investment properties. This allows the Group to maintain a stable relationship with its suppliers, vendors, and tenants.

Sustainability factors are applied throughout the Group's operations, especially its supply chain. Priority is given to vendors who provide certification of environmentally friendly material usage, and those who implement green measures. For example, the Company would insist on the use of energy-saving methodologies and technologies, such as LED lighting systems, during repair and maintenance. Non-hazardous materials are also preferred over hazardous materials. Back up by JLL's recognised good quality suppliers' network, the selection of vendors and suppliers also prioritises local suppliers, to minimise travelling distance and related carbon emissions.

When contracting with suppliers, vendors and service providers, JLL, as an agent of the Company, would specify in those contracts compulsory terms of compliance. These terms include applicable environmental protection and safety management guidelines, which are subject to JLL's amendment from time to time, thereby discharge the Group's statutory obligations. As a way for the Group to ensure its supply chain, all suppliers, vendors and service providers must ensure their services and/or products are in accordance with all applicable legislative and regulatory requirements.

Contractual obligations would be imposed on the suppliers, vendors and service providers to ensure all reasonable measures are employed to guarantee all applicable legislative and regulatory requirements are satisfied, including the generation of minimal environmental pollution and noise. Certain conditions of terms and provisions shall include disposal of waste and use of environmentally friendly products only, may also be specified in the contracts whenever necessary.

Contractual obligations would also be imposed on all suppliers and vendors, including JLL, to take all reasonable precautions at all times to prevent injury or illness of any kind to any person, and to prevent and minimise damage to the properties. All suppliers, vendors, and service providers shall comply with all applicable in-house rules and procedures of the Company and JLL. They shall also provide adequate training, information and supervision to their respective employees to ensure all work and services provided are conducted in a safe and healthy environment for all personnel involved, including their employees, JLL's and the Group's on-site employees, tenants and general public. Whenever necessary, suppliers and vendors are responsible for providing suitable personal protective equipment.

On the other hand, the Group as property owners, is responsible for maintaining the investment properties in a good and substantial state of repair and condition, and ensure they do not pose any unnecessary risks of injury or damage to its tenants, building users and general public. Hence, the Group reviews and adopts JLL's preventive maintenance plan to secure the operation of Jardine Center. The preventive maintenance plan includes the maintenance of the pumping and drainage system, electricity system, fire services system, lifts, gondola, lighting, air conditioning system and fragrance dispensing system.

In order to further safeguard the interests of the Company, JLL, tenants and building users, third party liability and property damage insurance policies are also adopted. JLL also conducts annual audits relating to quality management, as well as health and safety for Jardine Center, to evaluate the effectiveness of its management systems. The results of the audit for the year reflected no non-compliance item.

Consumer data privacy is safeguarded as the Group respects and protects all personally identifiable information from unauthorised access, use, disclosure or misuse. Applicable privacy laws are strictly complied with. The Group applies robust IT controls and security systems to prevent the loss of customer and tenant data, while only authorised department and personnel are allowed access. It also complies with the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) with regards to the register of visitors. The Group does not have any product and has not made any advertisement or labels during the Reporting Period.

Moving forward, the Group shall continue to consider adopting further measures to enhance the health and well-being of its tenants and other building users, while strengthening its valued business relationships.

ENVIRONMENT

As a property investor, the Group internalises the intricate relationships among good management of environmental impact on its operations and properties, the importance to provide a healthy and safe work environment for employees and to maintain a sound investment. The Group primarily utilises regulatory compliance as well as industry practice as a baseline in controlling its environmental impact.

Sound environmental measures have been pursued in the past few years and have yielded positive results in some key environmental performance indicators. The Group also aims to raise awareness of environmental protection and compliance among its employees, on-site staff, tenants and building users. During the Reporting Period, the Group did not receive any complaints, or records of violations of relevant environmental laws and regulations, including but not limited to, Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong), Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong), and Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong).

Emissions

The tenant portfolio within the premises of Jardine Center primarily consists of service-based retailers, such as spa and beauty services, and premium food and beverage catering. These services produce relatively small amount of emissions, including smoke, grease and other air emissions. These emissions may affect the indoor air quality and comfort level of Jardine Center. Hence, having proper ventilation for the food and beverage tenants is imperative to the health and safety of all employees and customers of the tenants.

As property landlord, the Group collaborates closely with JLL to remind tenants about various laws and regulations that they need to take into consideration when fitting-out work is carried out. Tenants are responsible to install appropriate grease traps and exhaust fans, whenever necessary, to fulfil all relevant regulations. By collaborating with JLL and tenants, the Group is not aware of any complaints or violations of relevant environmental laws and regulations against any tenants within the Reporting Period.

Another prevalent air emissions that the Group emits are greenhouse gases. This year, an independent professional consultant, CKP Sustainability Consultants, was invited to evaluate the Group's greenhouse gas ("GHG") emissions during the Reporting Period. Its carbon emissions inventory was assessed in accordance with local guidelines issued by Hong Kong Government and with reference to the Greenhouse Gas Protocol developed by the World Resources Institute and World Business Council for Sustainable Development. This year's carbon emissions assessment includes the Group's headquarter office, warehouse, and Jardine Center.

GHG Emissions	Unit	Headquarter Office and Warehouse	Jardine Center[1]
Scope 1: Direct Emissions	tCO_2e^-	0.00	0.08
Scope 2: Indirect Energy Emissions	tCO_2e^-	8.85	171.15
Scope 3: Other Indirect Emissions	tCO_2e^-	0.00	10.73
Total Emissions	tCO_2e^-	8.85	181.96

Majority of the Group's GHG emissions stem from scope 2 energy indirect emissions, which reflects its energy consumption within headquarter office and warehouse, and Jardine Center. Due to the high proportion in scope 2 emissions, the Group understands the continuous need to improve its energy performance, in order to manage its carbon emissions. Various measures are implemented to manage and reduce energy consumption. They are described in detail in the "Energy Efficiency" section.

Scope 1 direct GHG emissions are induced by the use of diesel oil for motorizing the emergency generators, whereas scope 3 other indirect GHG emissions take into account electricity used for fresh water processing in Hong Kong.

[1] The reported scope of Jardine Center includes its common area, roof, and vacant area.

Energy Efficiency

Energy consumption is inevitable in the operations of the Group. Managing its usage and improving its usage efficiency is undeniably important in reducing negative impacts on the environment caused by the burning of fossil fuels. Managing energy usage also greatly help reduce the Group's carbon footprint, as energy consumption currently accounts for approximately 94% of its annual carbon emissions this year.

Individual actions may seem insignificant, but they directly affect Jardine Center's overall energy consumption. To reduce the properties' energy consumption, the Group works closely with JLL to take incremental steps, for example, the switch to LED lighting for lobby ceiling, lightbox, and other promotional display. Since elevators and air conditioning systems constitute a high percentage of energy consumption at the common area of Jardine Center, one elevator is parked throughout the night. The air conditioning system in the elevator and at the lobby are also turned off after 0100 hour. Security staff are also trained to turn off certain lights after patrol and computers after work.

Participating in Earth Hour 2018 provides the Group an opportunity to demonstrate its commitment to combat climate change, energy reduction, environmental and biodiversity protection, and sustainable consumption. While the Group recognises the one-hour long annual event in turning off all unnecessary lights is not enough to make a significant contribution to reducing energy-related GHG emissions, it believes that the event has a snowball effect in raising awareness about the choices people make every day.

In accordance with section 22 of the Buildings Energy Efficiency Ordinance (Cap. 610 of the Laws of Hong Kong), an energy audit was conducted for Jardine Center in August 2013 to review energy efficiency performance within its building system, as well as to identify energy management opportunities ("EMOs") to achieve further energy savings. Two EMOs have been implemented since then, including posting labels with recommended temperature and fan speed settings next to control thermostats, as well as providing reminder labels in the electrical and mechanical room. Those EMOs serve as educational and awareness initiative for the Group and JLL's on-site employees; however, quantitative impact for the implemented EMOs is not readily available.

2017 Energy Usage	Unit	Headquarter Office and Warehouse	Jardine Center[2]
Electricity	kWh '000	11.21	216.65
Diesel Oil[3]	kWh '000	0.00	300.00
Total Energy Usage	kWh '000	11.21	516.65

[2] The reported scope of Jardine Center includes its common area, roof, and vacant area.

[3] Diesel oil consumption at Jardine Center is solely used for motorizing the emergency generator, and its annual consumption figure is an educated estimation by the Group.

Waste Management

Waste is increasingly becoming problematic within society. As a responsible corporate citizen, it is within the Group's duty to facilitate proper handling of waste generated by the tenants at Jardine Center and within its headquarter office.

At Jardine Center, waste normally comprises commercial municipal solid waste, including domestic waste, food waste and recyclables. Domestic waste and food waste, are collected by professional waste collector at a fixed fee. Most of the collected waste stem from tenants, and currently the Group and JLL do not record the amount of waste their operations generate. The Group is however responsible to maintain a clean and hygienic waste area for collection and disposal. Mostly comprised of retail tenants, the properties do not produce any hazardous waste, and non-hazardous waste produced by JLL or the Group's employees estimated not to exceed 182.5 kg within the Reporting Period.

Recyclable items are collected and disposed at recycling station within Jardine Center. Concerned local citizens and contracted waste collector would collect and handle recyclable items separately. Other waste, such as waste cooking oil and construction waste from fitting out works, are handled properly in compliance with relevant regulations. Currently, the Group does not employ an independent waste recycling contractor, nor does it maintain a record of the amount of recyclable items collected.

On the other hand, all suppliers, vendors and service providers are obligated to follow applicable legislative and regulatory requirements. They are also obliged to dispose all waste generated in the provision of their services, and are prohibited from disposing any waste directly into any drainage system in the properties.

The Group also strives to minimise the amount of waste it produces at its headquarter office and warehouse. All internal documents are set to use double-sided printing. Currently, the headquarter office and warehouse do not produce any hazardous waste and are estimated to produce less than 80 kg of non-hazardous waste within the Reporting Period.

Water Consumption

Water is a scarce resource that all should seek to conserve. Within the Group's operations, the main uses of water are lavatory and cleaning at its headquarter office and Jardine Center. The Group has not encountered any issue in sourcing water that is fit for purpose.

However, direct water usage within the Group's direct operations is minimal, as compared to water usage and efficiency among its tenants. It is therefore critical to create a culture of water conservation among tenants and building users. Water conservation signs are posted in some of the lavatory leased to tenants as reminder to support the Group's effort in reducing water usage. The Group also works with its tenants to ensure all water pipes are well maintained. Defective or damaged pipes would be repaired or replaced in a timely manner to avoid water leakage and resulting health hazards.

Water consumption at the headquarter office is not available, because the Group shares common lavatory with other tenants within the commercial building its headquarter office is situated. The warehouse does not consume any water. During the Reporting Period, the Group has directly consumed approximately 23,700 m^3 of fresh water at Jardine Center, and has not received any complaints with regards to its water consumption.

The Group does not consume other raw materials that is significant to the operations of the Group, as it does not have a production line.

SOCIAL

The Group is committed to providing a productive, safe and healthy work environment that allows for professional and personal growth. The Group also collaborates closely with its supply chain to ensure its values and expectations are upheld within its operations.

Employment

The Group's employment practices to attract and retain talents stem from offering fair and competitive remuneration packages, in accordance with the Employment Ordinance (Cap. 57 of the Laws of Hong Kong). The Company promotes and offers equal opportunities to candidates and employees, regardless of their gender, nationality, marital status, disability and religious belief, in all aspects of employment including recruitment, internal transfer and promotion. Employees are entitled to the same benefits and treatment as the Group is dedicated to eliminating discrimination of any kind within the workplace.

The Group offers a comprehensive welfare benefits, including but not limited to medical insurance schemes, provident fund, and allowances. In addition, paid annual leave, sick leave, maternity and paternity leave, and long service payments are also offered according to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong). It operates in full compliance of all applicable laws and regulations relating to wages, work hours, overtime, and holidays. The Group also has a fair compensation structure. Individual salary reviews are conducted annually, with reference to market surveys and individual work performance.

The Group fosters a performance-based reward system, as it reviews promotions and salary raises based on the performance of both the individual and the Group, as well as the extent to which the individual demonstrates possession of attributes required for a higher grade. Annual performance appraisals are conducted to effectively review and assess employees' job performance in a fair and systematic manner.

On the other hand, the Group adheres to all applicable laws and regulations regarding child and forced labour, including the Employment of Children Regulations, the Employment of Young Persons (Industry) Regulations, and Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong).. Within the recruitment process of the Group, all background checks are completed with rigour to strictly ensure all employees are of legal working age. Employees are also free to terminate the contract of employment in accordance with stipulated notice period serve, accompanied with statutory compensation, if applicable. The Group also coordinates with JLL to prohibit any form of child or forced labour within its on-site operations. The Group shall terminate the process of employment or all contracts of employment effective immediately, had such practice been discovered.

During the Reporting Period, there were no cases of non-compliance with relevant labour-related laws and regulations, including the Employment Ordinance (Cap. 57 of the Laws of Hong Kong). There were also no cases of complaints regarding discrimination or harassment in the workplace. The Group has identified no cases of child or forced labour within its operations.

Health and Safety

Health and safety of all building occupants, including employees, tenants and building users, is of paramount importance to the Group. The Group recognises its responsibility to create and maintain environments that are safe, healthy and efficient.

An occupational health and safety ("OHS") work procedure guideline is in place for Jardine Center. Reviewed periodically, the guideline provides occupational safety principles for potential risks, implementation and monitoring systems, as well as guidelines on handling emergency incidents. It details procedures to be taken in the event of personal illness or injury, fire, and chemical spills and leakage.

To safeguard Jardine Center and to maintain occupant comfort and safety, JLL carefully monitors and maintains environments that maximize health, safety and productivity. OHS management meetings are held regularly to provide applicable information and to ensure all subcontractors and employees comply with relevant safety guidelines. OHS trainings are also provided regularly to subcontractors and employees. Personal protective equipment, including safety helmets and reflective vests, are checked against suppliers' standards or according to reference standards by the Occupational Safety & Health Council.

During the Reporting Period, the Group has complied with the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong), by providing and maintaining a safe and healthy work environment for its employees.

Training and Development

The Group is keen to provide training and development opportunities to support the continued growth and development of its Directors and employees. All new independent non-executive Directors of the Company and executive Directors received director training within the Reporting Period. Directors and employees also attended other external training programmes, including those required by the Stock Exchange, as well as those related to the property industry.

Being forthcoming about the importance of continuous learning, the Group relies on its service providers to provide adequate training for their employees to improve their knowledge and skills for discharging respective duties at work. For example, every new member of JLL must attend staff induction program held by their company within probation period.

Community Investment

Giving back is one of the most valuable things a corporation can do for the local community. It is a way of showing support for the community, to help those in need and contribute to the common good. The Group places emphasis on contributing back to the community through monetary donation and through improving Hong Kong's tourism industry.

Within the Reporting Period, the Group donated HK$100,000 to Hong Kong Hope Through Music Children's Charity, which aims to promote "Music • Character • Care • Harmony" by providing free musical education to underprivileged children from low-income families in the city. The Group has also donated a total of HK$300,000 to other local charity organisations, such as the Tung Wah Group of Hospitals, Po Leung Kuk, and The Community Chest of Hong Kong.

In addition to monetary donations, the Group's business indirectly favours Hong Kong tourism growth by engaging with the city's tourists. As Jardine Center is strategically located at the heart of Hong Kong, the Group's retail tenants attract a wide scope of customers, with the majority being the tourist group. The Group hence contributes to construct Hong Kong as a city for retail pilgrimage, and influence Hong Kong to become more robust and prosperous.

SUSTAINABILITY PERFORMANCE

Key Performance Indicators	Unit	Headquarter Office and Warehouse	Jardine Center	Total
Environmental				
GHG Emissions (Scope 1, 2 & 3)	tCO_2e^-	8.85	181.96	190.81
GHG Emission Intensity By Revenue[4]	tCO_2e^-/HKD'000	N/A	N/A	0.004
GHG Emission Intensity By Area[5]	tCO_2e^-/m^2	0.06	0.10	0.10
Total Energy Usage	kWh '000	11.21	516.65	527.86
Electricity Usage	kWh '000	11.21	216.65	227.86
Oil Usage	kWh '000	0.00	300.00	300.00
Energy Intensity by Revenue	kWh '000/HKD'000	N/A	N/A	0.01
Energy Intensity By Area	kWh '000/m^2	0.07	0.28	0.26
Water Consumption[6]	m^3	N/A[7]	23,657.33	23,657.33
Water Consumption Intensity By Area	m^3/m^2	N/A	12.78	N/A
Maximum Waste Disposed	kg	182.5	80	262.5
Social				
Total Workforce[8]	Person	11	8	19
Workforce By Gender				
Male	Person (%)	8 (72.73%)	6 (75.00%)	14 (73.68%)
Female	Person (%)	3 (27.27%)	2 (25.00%)	5 (26.32%)
Workforce By Age				
<31	Person (%)	1 (9.09%)	2 (25.00%)	3 (15.79%)
31-50	Person (%)	9 (81.82%)	4 (50.00%)	13 (68.42%)
>50	Person (%)	1 (9.09%)	2 (25.00%)	3 (15.79%)

4 Revenue in calculation includes the Group's overall revenue within the Reporting Period, which may include revenue sources from outside the scope of the Report.

5 Area calculations are represented by an estimation of gross floor area of headquarter office and common area of Jardine Center. Vacant area is not included in the estimation of area.

6 Daily average water consumption may be used to extrapolate missing water consumption data, when appropriate.

7 Water consumption at the headquarter office is not available, because the Group shares lavatory with other tenants within the commercial building.

8 Workforce at Jardine Center are on-site employees employed under JLL.

ESG GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, or Explanation
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment – Emissions, Waste Management
KPI A1.1	The types of emissions and respective emissions data.	Environment – Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment – Emissions; Sustainability Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Environment – Waste Management; Sustainability Performance
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environment – Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environment – Waste Management

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, or Explanation
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment – Energy Efficiency, Water Consumption
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environment – Energy Efficiency; Sustainability Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environment – Water Consumption; Sustainability Performance
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environment – Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environment – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	As a property investor, we do not consume any packaging material within our service-oriented operations.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, or Explanation
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Social – Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Sustainability Performance
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	N/A
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Social – Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Zero work-related fatality has been recorded within Reporting Period.
KPI B2.2	Lost days due to work injury.	Social – Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Social – Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Social – Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	N/A
KPI B3.2	The average training hours completed per employee by gender and employee category	N/A

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, or Explanation
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Governance – Business Conduct; Social - Employment
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Governance – Business Conduct; Social - Employment
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Governance – Business Conduct; Social - Employment
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Governance – Responsible Operation
KPI B5.1	Number of suppliers by geographical region.	N/A
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Governance – Responsible Operation
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Governance – Responsible Operation
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Governance – Business Conduct
KPI B6.4	Description of quality assurance process and recall procedures.	Governance – Responsible Operation
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Governance – Responsible Operation

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, or Explanation
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Governance – Business Conduct
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Governance – Business Conduct
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	N/A
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Social – Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Social – Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Social – Community Investment

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED
(FORMERLY KNOWN AS HENRY GROUP HOLDINGS LIMITED)
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Zhongchong International Holdings Group Limited (formerly known as Henry Group Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 134, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit address the key audit matter
Valuation of investment properties	
Refer to Note 17 to the consolidated financial statements and the accounting policies in Note 3 to the consolidated financial statements.	
Management has estimated the fair value of the Group's investment properties to be approximately HK$1,927,500,000 as at 31 March 2018, with net gain in fair value for the year ended 31 March 2018 recorded in the consolidated statement of profit or loss and other comprehensive income of approximately HK$20,500,000. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including market unit value of comparable properties, market rental and assuming the properties are capable of being sold in the existing status.	Our procedures in relation to management's determination of the valuation of the investment properties included: • Evaluation of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts; and • Checking, on sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Wong Sze Wai, Basilia.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 25 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	**47,241**	65,826
Other gains and losses, net	7	**(169)**	4,799
Net gain in fair value of investment properties	17	**20,500**	30,200
Staff costs	8	**(10,373)**	(12,123)
Depreciation of property, plant and equipment	16	**(840)**	(478)
Other operating expenses		**(19,310)**	(17,922)
Profit from operations	8	**37,049**	70,302
Finance costs	9	**(21,707)**	(33,611)
Net gain on disposal of subsidiaries	31	**5,375**	–
Net gain on disposal of an investment property	10	**4,950**	–
Profit before taxation		**25,667**	36,691
Taxation	13	**(4,965)**	(2,585)
Profit for the year		**20,702**	34,106
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**(18)**	–
Other comprehensive loss for the year, net of tax		**(18)**	–
Total comprehensive income for the year		**20,684**	34,106
Profit for the year attributable to the owners of the Company		**20,702**	34,106
Total comprehensive income for the year attributable to the owners of the Company		**20,684**	34,106
EARNINGS PER SHARE			
– Basic (in HK cents)	15	**1.90**	3.41
– Diluted (in HK cents)	15	**1.89**	3.27

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	16	**2,858**	4,100
Investment properties	17	**1,927,500**	3,065,000
		1,930,358	3,069,100
CURRENT ASSETS			
Trade and other receivables	18	**2,808**	3,558
Derivative financial instruments	22	**19**	16,085
Tax recoverable		**121**	907
Cash and bank balances	19	**749,153**	400,107
		752,101	420,657
CURRENT LIABILITIES			
Other payables, accruals and rental deposits received, current portion	20	**8,788**	12,390
Bank borrowings, current portion (secured)	21	**17,100**	30,300
Tax payable		**79**	104
		25,967	42,794
NET CURRENT ASSETS		**726,134**	377,863
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,656,492**	3,446,963
NON-CURRENT LIABILITIES			
Other payables and rental deposits received, non-current portion	20	**6,312**	11,885
Bank borrowings, non-current portion (secured)	21	**552,900**	1,142,725
Convertible notes	23	**8,037**	47,018
Deferred tax liabilities	24	**10,174**	18,218
		577,423	1,219,846
NET ASSETS		**2,079,069**	2,227,117
CAPITAL AND RESERVES			
Share capital	25	**112,502**	102,904
Reserves	26	**1,966,567**	2,124,213
TOTAL EQUITY		**2,079,069**	2,227,117

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 June 2018 and are signed on its behalf by:

WANG Junyong
Director

FAN Xuerui
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Attributable to the owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note 26)	Capital reserve HK$'000 (note 26)	Exchange reserve HK$'000 (note 26)	Share-based payment reserve HK$'000 (note 26)	Convertible notes equity reserve HK$'000 (note 26)	Contributions from shareholders HK$'000 (note 26)	Contribution surplus HK$'000 (note 26)	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2016	97,180	16,045	9,628	926	–	21,263	63,859	250,139	170,701	1,119	1,531,042	2,161,902
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	–	–	–	34,106	34,106
Recognition of share-based payment (note 29)	–	–	–	–	–	2,297	–	–	–	–	–	2,297
Exercise of share options (note 25)	50	757	–	–	–	(237)	–	–	–	–	–	570
Release of deferred tax liability upon conversion of convertible notes (note 24)	–	–	–	–	–	–	3,348	–	–	–	–	3,348
Issue of shares upon conversion of convertible notes (note 25)	5,674	49,644	–	–	–	–	(30,424)	–	–	–	–	24,894
Released upon de-registration of subsidiaries	–	–	–	(146)	–	–	–	(4,678)	–	(1,119)	5,943	–
At 31 March 2017 and 1 April 2017	102,904	66,446	9,628	780	–	23,323	36,783	245,461	170,701	–	1,571,091	2,227,117
Profit for the year	–	–	–	–	–	–	–	–	–	–	20,702	20,702
Other comprehensive loss, net of income tax:												
Items that may be reclassified subsequently to profit or loss:												
Exchange difference on translating foreign operations	–	–	–	–	(18)	–	–	–	–	–	–	(18)
Total comprehensive income for the year	–	–	–	–	(18)	–	–	–	–	–	20,702	20,684
Exercise of share options (note 25)	3,067	46,086	–	–	–	(15,923)	–	–	–	–	–	33,230
Release of deferred tax liability upon conversion of convertible notes (note 24)	–	–	–	–	–	–	3,358	–	–	–	–	3,358
Issue of shares upon conversion of convertible notes (note 25)	6,531	55,768	–	–	–	–	(34,522)	–	–	–	–	27,777
Final dividend declared and paid	–	–	–	–	–	–	–	–	(170,701)	–	(62,396)	(233,097)
Released upon disposal of subsidiaries	–	–	–	–	–	–	–	(11,855)	–	–	11,855	–
Released upon deregistration of a subsidiary	–	–	–	(780)	–	–	–	–	–	–	780	–
Release of share-based payment reserve upon cancellation of share options	–	–	–	–	–	(7,400)	–	–	–	–	7,400	–
At 31 March 2018	**112,502**	**168,300**	**9,628**	**-**	**(18)**	**-**	**5,619**	**233,606**	**-**	**-**	**1,549,432**	**2,079,069**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**25,667**	36,691
Adjustments for:			
Depreciation for property, plant and equipment	16	**840**	478
Net gain in fair value changes of investment properties	17	**(20,500)**	(30,200)
Share-based payment expenses		**–**	2,297
Net gain on disposal of an investment property	10	**(4,950)**	–
Net gain on disposal of subsidiaries	31	**(5,375)**	–
Interest income	7	**(923)**	(1,382)
Interest expenses	9	**21,707**	33,611
Impairment loss on trade receivables	18	**25**	58
Reversal of impairment on trade receivables	18	**(58)**	–
Written-off of property, plant and equipment	8	**442**	–
Forfeiture of convertible note interest payable	7	**(1,536)**	(717)
Change in fair value of derivative financial asset component of convertible notes	7	**3,199**	(2,604)
Operating cash flows before changes in working capital		**18,538**	38,232
(Increase)/decrease in trade and other receivables		**(1,203)**	2,604
Decrease in other payables, accruals and rental deposits received		**(2,509)**	(1,473)
CASH GENERATED FROM OPERATIONS		**14,826**	39,363
Interest paid		**(19,881)**	(23,047)
Income tax paid		**(3,001)**	(5,071)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(8,056)**	11,245
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(40)**	(4,496)
Proceeds from disposal of an investment property	10	**205,000**	–
Proceeds from disposal of available-for-sale financial assets		**–**	74
Net cash inflow from disposal of subsidiaries	31	**954,140**	–
Interest received		**912**	1,382
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**1,160,012**	(3,040)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans raised		**570,000**	656,000
Repayment of bank loans		**(1,173,025)**	(564,348)
Issue of shares pursuant to exercise of share options		**33,230**	570
Final dividend paid		**(233,097)**	–
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(802,892)**	92,222
NET INCREASE IN CASH AND CASH EQUIVALENTS		**349,064**	100,427
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**400,107**	299,680
Effect of foreign exchange rate changes		**(18)**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	19	**749,153**	400,107

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL

The Company was incorporated in Bermuda on 16 December 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).

The Company acts as an investment holding company and the principal activities of the Group are property leasing and development.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

Pursuant to a special resolution passed on 24 May 2018, the English name of the Company from "Henry Group Holdings Limited" to "Zhongchang International Holdings Group Limited" and the adoption of "中昌國際控股集團有限公司" as the secondary name in Chinese of the Company to replace its existing secondary name in Chinese "鎮科集團控股有限公司" which is used for identification purpose only.

At 31 March 2018, the ultimate holding company of the Company is Sansheng Hongye (Hong Kong) Limited, a company incorporated in Hong Kong.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the "new and amendments to HKFRSs") issued by the HKICPA that are relevant to its operations and effective for annual periods on or after 1 April 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014–2016 Cycle	Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12

In the opinion of directors, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Clarification of HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 19	Employee Benefits[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendmnets to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 1 and HKAS 28	Annual Improvements to HKFRS 2014–2016 Cycle[1]
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015–2017 Cycle[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
4 No mandatory effective date yet determined but available of adaption.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

Specifically, pursuant to HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments:

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effective test has been overhauled and replaced with the principle of an "economic relationship". Retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Classification and measurement :

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the Directors also anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. However, the directors do not anticipate that the application of the expected credit loss model of HKFRS 9 will have material impact to the opening retained earnings at 1 April 2018.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting period.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all lessee by lessees, except for short-term leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payment under the HKAS 17 are presented as operating cash flow; whereas under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flow respectively.

In contrast to lessee accounting, HKFRS 16 substantially carried forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As set out in note 28, total operating lease commitment of the Group in respect of its office and warehouse premises as at 31 March 2018 amounted to approximately HK$1,692,000. The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results at this stage but it is expect certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

The Group is in the process of assessing the potential impact of the other new and amendments to HKFRSs upon initial application but is not yet in a position to state whether the above new and amendments to HKFRSs will have a significant impact on the Group's results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

(i) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the disclosures requirements of the Hong Kong Companies Ordinance ("CO").

(ii) Basis of preparation of financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current liability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(iv) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed at the acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRSs.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for the current year are as follows:

Leasehold improvements	50% or over the terms of the leases, if higher
Furniture, fixtures and equipment	20% to 25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(vi) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vii) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each assets in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(viii) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Financial instruments (Continued)

(a) Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies; (ii) held for trading, or (iii) it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-making; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Financial instruments (Continued)

(a) *Financial assets (Continued)*

Financial assets at fair value through profit or loss (Continued)

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 37.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and cash and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Financial instruments (Continued)

(a) Financial assets (Continued)

Impairment of financial assets (Continued)

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

Impairment losses recognised in respect of trade and other receivables whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amount held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are credited to comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Financial instruments (Continued)

(b) *Financial liabilities and equity instruments*

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Other financial liabilities including other payables, accruals and rental deposits received and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

(c) *Convertible notes*

The component parts of the convertible notes issued by the Company are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. A redemption option that will be settled by the exchange of a fixed amount of cash or another financial asset is a redemption option derivative.

At the date of issue, both the liability component and redemption option derivative are recognised at fair value. In subsequent periods, the liability component of the convertible note is carried at amortised cost using the effective interest method. The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible notes, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Financial instruments (Continued)

(c) Convertible notes (Continued)

Transaction costs that relate to the issue of the convertible notes are allocated to the liability component, equity component and derivative financial asset component in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to the equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method. Transaction costs relating to the derivative financial asset component are charged to profit or loss immediately.

(d) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(ix) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an in significant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(xi) Employees' benefits

(a) Short term benefits

Salaries, annual bonuses, paid annual leaves and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(b) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

(c) Share option granted to certain directors and employees

The Group issues share options to certain directors, employees and other parties. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in the share-based payment reserve, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The equity amount is recognised in the revenue until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

Fair value is measured using the Binomial Option Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xii) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

(xiii) Provisions

Provisions are recognised when the Group has present obligation (legal or constructive) has arisen as a result of a past event, it is probable that the Group will be required to settle obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised for a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(xiv) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xv) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xv) Taxation (Continued)

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(xvi) Borrowing costs

All other borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

(xvii) Related party

A party is considered to be related to the Group if:

(i) A person or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xvii) Related party (Continued)

(ii) An entity is related to the Group if any of the following conditions applies: (Continued)

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(xviii) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(xix) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below:

Rental income under operating lease is recognised on a straight line basis over the relevant lease term.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of trade and other receivables

As explained in note 18, the Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(c) Assessment of impairment of assets

Management periodically reviews each asset for possible impairment or reversal of previously recognised impairment. Recoverability of assets is measured by a comparison of the carrying amount of an asset to its fair value less costs of disposal. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs of disposal. Management performs their analysis of fair value, based on various assumptions and estimates.

(d) Valuation of share options

As explained in note 29, share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behavior, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the profit or loss and share-based payment reserve.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(e) Fair value of investment properties

As set out in note 17, investment properties were revalued as at 31 March 2018 on an open market value existing use basis by a firm of independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each of reporting period.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contract), adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

(f) Fair value of derivative financial instruments and other financial instruments

As explained in note 23, the directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

(g) Income taxes and deferred taxation

The Group is subject to income taxes in Hong Kong and People's Republic of China. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. REVENUE

The Group's revenue comprises:

	2018 HK$'000	2017 HK$'000
Gross rental income from investment properties in Hong Kong	**47,241**	65,826

6. SEGMENT INFORMATION

The segmentations are based on the information about the operation of the Group that management uses to make decisions and regularly review by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. For the years ended 31 March 2018 and 31 March 2017, the Group only engaged operating segment in property leasing. No analysis of the Group's results, assets and liabilities of other reportable segment is presented.

Revenue from major products and services

All of the Group's revenue for the years ended 31 March 2018 and 31 March 2017 represented gross rental income from investment properties in Hong Kong.

Geographical information

As all of the Group's revenue are derived from Hong Kong and most of the Group's identifiable assets and liabilities are located in Hong Kong, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

Information about major customers

Revenue for the years ended 31 March 2018 and 31 March 2017 represented gross income from leasing of investment properties in Hong Kong.

For the years ended 31 March 2018 and 31 March 2017, no revenue from customers with whom transactions in aggregate have exceeded 10% of the Group's revenue during the year.

7. OTHER GAINS AND LOSSES, NET

	2018 HK$'000	2017 HK$'000
Bank interest income	**923**	1,382
Change in fair value of derivative financial asset component of convertible notes (note 23)	**(3,199)**	2,604
Reversal of impairment loss on trade receivables (note 18)	**58**	–
Compensation received from tenants	**398**	–
Forfeiture of convertible notes interest payable	**1,536**	717
Sundry income	**115**	96
	(169)	4,799

8. PROFIT FROM OPERATIONS

	2018 HK$'000	2017 HK$'000
Profit from operations is arrived at after charging/(crediting):		
Directors' emoluments (note 11)	**4,989**	8,480
Other staff costs		
Salaries and allowances	**5,074**	3,353
Retirement benefit scheme contributions	**96**	96
Other benefits in kind	**214**	194
	5,384	3,643
Total staff costs	**10,373**	12,123
Net exchange loss	**3**	–
Auditors' remuneration		
– Audit services	**750**	800
– Non-audit services	**430**	–
Depreciation of property, plant and equipment (note 16)	**840**	478
Written-off of property, plant and equipment	**442**	–
Impairment loss on trade receivables (note 18)	**25**	58
Share-based payment expenses	**–**	2,297
Gross rental income from investment properties	**(47,241)**	(65,826)
Less: Direct operating expenses from investment properties that generated rental income during the year	**4,723**	4,975
	(42,518)	(60,851)

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank borrowings		
– wholly repayable within five years	**2,492**	9,075
– wholly repayable after five years	**11,688**	12,346
Other finance costs	**5,495**	3,986
Effective interest expense on convertible notes (note 23)	**2,032**	8,204
	21,707	33,611

10. NET GAIN ON DISPOSAL OF AN INVESTMENT PROPERTY

Net gain on disposal of an investment property arose from the completion of disposal of the investment property – House No. 12, Villa Bel-Air, Bel-Air on the Peak, Island South, Hong Kong at a consideration of HK$205,000,000 in August 2017.

	2018 HK$'000	2017 HK$'000
Sales proceeds	**205,000**	–
Less:		
– Carrying amount of an investment property	**(198,000)**	–
– Transaction costs directly attributable to the disposal of an investment property	**(2,050)**	–
Net gain on disposal of an investment property	**4,950**	–

11. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

Year ended 31 March 2018

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000	Share options HK$'000 (Note 29)	Total HK$'000
Executive directors					
Wang Junyong (note (a))	–	–	–	–	–
Fan Xuerui (note (a))	–	–	–	–	–
Sun Meng (note (a))	–	–	–	–	–
Sun Feng (note (a))	–	–	–	–	–
Ng Ian (note (b))	3	2,526	16	–	2,545
Chan Kwok Hung (note (b))	–	1,497	17	–	1,514
	3	4,023	33	–	4,059
Non-executive directors					
Mak Wah Chi (note (b))	437	–	–	–	437
Ng Chun For, Henry (note (b))	7	–	–	–	7
	444	–	–	–	444
Independent non-executive directors					
Hung Ka Hai Clement (note (a))	78	–	–	–	78
Liew Fui Kiang (note (a))	78	–	–	–	78
Wong Sai Tat (note (a))	78	–	–	–	78
Li Kit Chee (note (b))	84	–	–	–	84
Chan Kam Man (note (b))	84	–	–	–	84
Chu Tak Sum (note (b))	84	–	–	–	84
	486	–	–	–	486
Total	933	4,023	33	–	4,989

11. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 March 2017

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000	Share options HK$'000 (Note 29)	Total HK$'000
Executive directors					
Ng Ian (note (b))	4	3,625	18	2,281	5,928
Chan Kwok Hung (note (b))	–	1,706	18	–	1,724
	4	5,331	36	2,281	7,652
Non-executive directors					
Mak Wah Chi (note (b))	520	–	–	–	520
Ng Chun For, Henry (note (b))	8	–	–	–	8
	528	–	–	–	528
Independent non-executive directors					
Li Kit Chee (note (b))	100	–	–	–	100
Chan Kam Man (note (b))	100	–	–	–	100
Chu Tak Sum (note (b))	100	–	–	–	100
	300	–	–	–	300
Total	832	5,331	36	2,281	8,480

Notes:

(a) Appointed on 12 January 2018.

(b) Resigned on 2 February 2018.

There was no arrangement under which a director waived or agreed to waive any emoluments in respect of each of the two years ended 31 March 2018 and 31 March 2017.

During the year ended 31 March 2017, a director was granted share options, in respect of his services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 29 to the Group's consolidated financial statements.

No emoluments were paid or payable by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office during the years ended 31 March 2018 and 2017. No directors waived or agreed to waive any remuneration during the years ended 31 March 2018 and 2017.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2017: three directors), details of whose remuneration are set out in note 11 above. Details of the remuneration for the year of the remaining three (2017: two) highest paid employees who are neither a director or chief executive of the Company are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits	**4,078**	2,176
Contributions to retirement benefit schemes	**54**	36
	4,132	2,212

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	No. of individuals	
	2018	2017
HK$500,001 – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	–
	3	2

The emoluments of senior management (excluding the directors as disclosed in note 11) are within the following bands:

	No. of senior management	
	2018	2017
HK$500,001 – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	–
	3	2

No emoluments were paid or payable by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office during the years ended 31 March 2018 and 2017. No five highest paid individuals waived or agreed to waive any remuneration during the years ended 31 March 2018 and 2017.

13. TAXATION

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2018 HK$'000	2017 HK$'000
Current tax – Hong Kong		
– Provision for the year	**2,493**	2,038
– Under provision in prior years	**1,363**	306
	3,856	2,344
Deferred taxation		
– Charged to the consolidated statement of profit or loss and other comprehensive income (note 24)	**1,109**	241
	4,965	2,585

Hong Kong profits tax has been provided at 16.5% (2017: 16.5%) of the estimated assessable profits for the year ended 31 March 2018.

(b) The taxation charge for the year can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	2018 HK$'000	%	2017 HK$'000	%
Profit before taxation	**25,667**		36,691	
Tax at the Hong Kong profits tax rate of 16.5% (2017:16.5%)	**4,235**	**16.5**	6,054	16.5
Tax effect of expenses not deductible for tax purpose	**7,325**	**28.5**	29,943	81.6
Tax effect of income not taxable for tax purpose	**(7,131)**	**(27.8)**	(33,815)	(92.2)
Under provision in respect of prior years	**1,363**	**5.3**	306	0.8
Utilisation of tax losses previously not recognised	**(1,902)**	**(7.4)**	(14)	–
Tax effect of tax losses not recognised	**1,075**	**4.2**	111	0.3
Income tax expense and effective tax rate for the year	**4,965**	**19.3**	2,585	7.0

14. DIVIDENDS

The directors do not recommend dividend for the year ended 31 March 2018.

For the year ended 31 March 2017, a final dividend of HK$0.213 per ordinary share was declared and paid in August 2017.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2018 HK$'000	2017 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	**20,702**	34,106
Effects of dilutive potential ordinary shares		
Effective interest expenses on convertible notes, net of tax	**–**	5,278
Fair value gains on the derivative financial asset component of convertible notes	**–**	(3,817)
Earnings for the purpose of diluted earnings per share	**20,702**	35,567

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,088,148**	1,000,979
Effect of dilutive potential ordinary shares:		
(i) Share options	**4,421**	8,276
(ii) Convertible notes	**–**	77,088
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,092,569**	1,086,343

The diluted earnings per share for the year ended 31 March 2017 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The outstanding share options and convertible notes were assumed to have been converted into ordinary shares, and the profit for the year ended 31 March 2017 was adjusted to reflect the effective interest expense on convertible notes less tax effect, if any.

The diluted earnings per share for the year ended 31 March 2018 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The outstanding share options were assumed to have been converted into ordinary shares.

15. EARNINGS PER SHARE (Continued)

For the year ended 31 March 2018, the Company's outstanding convertible notes were not included in the calculation of diluted earnings per share because the effect of which were anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture fixtures and equipment	Total
	HK$'000	HK$'000	HK$'000
COST			
At 1 April 2016	1,426	1,819	3,245
Additions	3,882	614	4,496
Written-off	(1,252)	(1,068)	(2,320)
At 31 March 2017 and 1 April 2017	4,056	1,365	5,421
Additions	–	40	40
Written-off	–	(1,069)	(1,069)
At 31 March 2018	4,056	336	4,392
ACCUMULATED DEPRECIATION			
At 1 April 2016	1,426	1,737	3,163
Provided for the year	388	90	478
Written-off	(1,252)	(1,068)	(2,320)
At 31 March 2017 and 1 April 2017	562	759	1,321
Provided for the year	776	64	840
Written-off	–	(627)	(627)
At 31 March 2018	1,338	196	1,534
CARRYING VALUES			
At 31 March 2018	**2,718**	**140**	**2,858**
At 31 March 2017	3,494	606	4,100

The above items of property, plant and equipment are depreciated on a straight-line basis at the followings rates per annum:

Leasehold improvements	50% or over the terms of the leases, if higher
Furniture, fixtures and equipment	20% to 25%

17. INVESTMENT PROPERTIES

	Completed investment properties, in Hong Kong HK$'000
FAIR VALUE:	
At 1 April 2016	3,034,800
Net gain in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	30,200
At 31 March 2017 and 1 April 2017	3,065,000
Disposed during the year (note 10)	(198,000)
Disposed though disposal of subsidiaries (note 31)	(960,000)
Net gain in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	20,500
At 31 March 2018	**1,927,500**
Unrealised net gain in fair value of investment properties included in profit or loss	20,500

(a) The analysis of the carrying amount of investment properties is as follows:

	2018 HK$'000	2017 HK$'000
In Hong Kong		
– medium-term leases	**–**	198,000
– long-term leases	**1,927,500**	2,867,000
	1,927,500	3,065,000

(b) Pledge of investment properties

Investment properties with a carrying amount in aggregate of HK$1,763,000,000 (2017: HK$3,051,000,000) are pledged to several banks for Group's borrowings, details of which set out in note 21.

17. INVESTMENT PROPERTIES (Continued)

(c) Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 31 March 2018 has been arrived at on the basis of a valuation carried out on the respective dates by Savills Valuation and Professional Services Limited (2017: Savills Valuation and Professional Services Limited), independent qualified professional valuers not connected to the Group.

Savills Valuation and Professional Services Limited is a member of the Institute of Valuers in Hong Kong, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on i) sales comparison approach, which involves an analysis of sales transactions of comparable properties within the neighbourhood area of the property; and (ii) income capitalisation approach, which involves estimating the rental incomes of the property and capitalising them all on appropriate rate to produce a capital value respectively.

At each financial year end, the management of the Group will (i) verify all major inputs to the independent valuation report; (ii) assess property valuations movements when compared to the prior year valuation report; and (iii) holds discussion with the independent valuer.

Changes in level 2 and 3 fair values are analysed at each reporting date by the management of the Group.

The Group's policy is to recognise transfers into and transfer out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2018 and 2017 are as follows:

	Level 2 **HK$'000**	**Level 3** **HK$'000**	**Fair values as at 31 March 2018** **HK$'000**
Residential units located in Hong Kong	**–**	**14,500**	**14,500**
Commercial units located in Hong Kong	**423,000**	**1,490,000**	**1,913,000**
Total	**423,000**	**1,504,500**	**1,927,500**

	Level 2 HK$'000	Level 3 HK$'000	Fair values as at 31 March 2017 HK$'000
Residential units located in Hong Kong	198,000	14,000	212,000
Commercial units located in Hong Kong	423,000	2,430,000	2,853,000
Total	621,000	2,444,000	3,065,000

17. INVESTMENT PROPERTIES (Continued)

(c) Fair value measurement of the Group's investment properties (Continued)

For certain residential units and commercial units located in Hong Kong with Level 2 fair value hierarchy, the fair value was derived using the sales comparison approach based on recent market prices without any significant adjustments being made to the market observable data.

	Fair value 2018 HK$'000	2017 HK$'000	Valuation technique	Significant unobservable inputs	Sensitivity
Investment properties located in Hong Kong	**423,000**	621,000	Sales comparison approach	Market unit value, taking into account the differences in location, and individual factor, such as frontage and size, between the comparables and the property.	A significant increase in market unit value used would result in significant increase in fair value, and vice versa.
Investment properties located in Hong Kong	**1,504,500**	2,444,000	Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental, income potential, nature of property, and prevailing market condition, of 2.25% to 3.0% (2017: 2.25% to 3.0% per annum).	The higher the capitalisation rate, the lower the fair value.
				Monthly market rent, taking into account the differences in location, and individual factor, such as frontage and size, between the comparables and the property.	A significant increase in the market rent used result in significant increase in fair value, and vice versa.

Reversionary yield is the rate taking into account the capitalisation of rental income potential, nature of the property and prevailing market condition. Market rent per square foot is the market rent taking into account the direct comparable market transactions to the related properties.

In estimating the fair value of investment properties, the highest and best use of the investment properties is their current use.

17. INVESTMENT PROPERTIES (Continued)

(c) Fair value measurement of the Group investment properties (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Residential properties in Hong Kong	Commercial properties in Hong Kong	Total
	HK$'000	HK$'000	HK$'000
Carrying amount at 1 April 2016	12,800	2,380,000	2,392,800
Fair value changes	1,200	50,000	51,200
Carrying amount at 31 March 2017 and 1 April 2017	14,000	2,430,000	2,444,000
Fair value changes	500	20,000	20,500
Disposed through disposal of subsidiaries	–	(960,000)	(960,000)
Carrying amount at 31 March 2018	**14,500**	**1,490,000**	**1,504,500**

The Group believes that any possible changes in the input values would not cause significant change in fair value of investment properties.

18. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Trade receivables	**1,383**	2,194
Less: Impairment loss on trade receivables	**–**	(58)
	1,383	2,136
Other receivables and prepayments	**1,425**	1,422
	2,808	3,558

(i) Rentals and deposits are receivable in advance from tenants pursuant to the Group's lease agreements entered into with all tenants.

The Group maintains a defined and restricted credit policy to assess the credit quality of each counterparty or tenant. The collection is closely monitored to minimise any credit risk associated with these trade receivables. The trade receivables mainly consist rental receivables. The rental receivables are payable in advance by tenants.

18. TRADE AND OTHER RECEIVABLES (Continued)

(ii) The trade receivables included in trade and other receivables mainly consist of rental receivables. Rentals and deposits are payable in advance by tenants. The ageing analysis of the Group's trade receivables are as follows:

	2018 HK$'000	2017 HK$'000
Effective rental receivables (0 days)	**1,220**	1,730
Up to 30 days	**163**	406
	1,383	2,136

(iii) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2018 HK$'000	2017 HK$'000
Neither past due nor impaired	**1,220**	1,730
Less than 1 month past due	**163**	406
	1,383	2,136

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(iv) Movements in the allowance for doubtful debts:

	2018 HK$'000	2017 HK$'000
At the beginning of the year	**58**	–
Impairment loss recognised on trade receivables	**25**	58
Amounts recovered during the year	**(58)**	–
Amounts written off as uncollectible during the year	**(25)**	–
At the end of the year	**–**	58

Included in the impairment loss on trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK$25,000 (2017: approximately HK$58,000) as the directors consider that the outstanding amount were not recoverable.

19. CASH AND BANK BALANCES

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash and bank balances. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flow can be reconciled to the related items in the consolidated statement of financial position as follows:

	2018 HK$'000	2017 HK$'000
Cash and bank balances	**740,143**	203,107
Time deposits	**9,010**	197,000
	749,153	400,107

Cash and bank balances comprise cash held by the Group and bank balances that bear interest at prevailing market rates ranging from 0.01% to 1.10% (2017: 0.01% to 0.55%) per annum and have original maturity of three months or less.

As at 31 March 2018, the cash and bank balances of the Group included currencies denominated in Renminbi amounted to approximately HK$33,000 (2017: HK$191,000).

20. OTHER PAYABLES, ACCRUALS AND RENTAL DEPOSITS RECEIVED

	2018 HK$'000	2017 HK$'000
Rental deposits received	**10,075**	15,673
Accruals and other payables	**4,837**	8,341
	14,912	24,014
Advance rental received	**188**	261
	15,100	24,275
Less: Other payables and rental deposits received – Non-current portion	**(6,312)**	(11,885)
	8,788	12,390

21. BANK BORROWINGS – SECURED

	2018 HK$'000	2017 HK$'000
Bank loans	**570,000**	1,173,025
Less: Current portion	**(17,100)**	(30,300)
Non-current portion	**552,900**	1,142,725
The carrying amount of the above bank borrowings are repayable as follows:		
On demand or within one year	**17,100**	30,300
Within a period of more than one year but within two years	**17,100**	33,300
Within a period of more than two years but within five years	**535,800**	275,425
Within a period of more than five years	**–**	834,000
	570,000	1,173,025
Less: Amounts due within one year shown under current liabilities	**(17,100)**	(30,300)
Amounts shown under non-current liabilities	**552,900**	1,142,725

On 20 March 2018, Top Bright Properties Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with a financial institution for a term loan facility in the principal amount of HK$570,000,000. Pursuant to the terms of the aforesaid loan agreement, it will constitute an event of default if Mr. Chen Lijun and Mr. Chen Jianming (the ultimate controlling shareholder of the Company) fail to collectively maintain not less than 55% beneficial shareholding in the Company or maintain control over the management and business of the Group.

As at 31 March 2018, bank borrowings with total outstanding principal amounts of HK$570,000,000 (2017: approximately HK$1,173,025,000) bearing floating interest rate at HIBOR plus under certain banking facilities granted to the Company's subsidiary provided by a bank in Hong Kong (2017: bearing floating interest rate as HIBOR plus under certain banking factures granted to the Company's subsidiaries provided by serveral banks in Hong Kong). These bank borrowings are secured by the Group's investment properties in Hong Kong of HK$1,763,000,000 (2017: HK$3,051,000,000), rental assignments in respect the investment properties, share mortgage of several subsidiaries of the Company and corporate guarantees to the extent of HK$570,000,000 (2017: HK$1,316,000,000) given by the Company.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2018 HK$'000	2017 HK$'000
Current assets:		
Derivative financial asset component of convertible notes (note 23)	**19**	16,085

23. CONVERTIBLE NOTES

The Company issued in aggregate of HK$125,000,000 1.68% convertible notes on 7 December 2015 (the "Issue Date") and recognised its book as of fair values appraised by BMI Appraisals Limited, being an independent financial valuer. The convertible notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on (i) the fifth anniversary of the Issue Date or (ii) if it is not a business date, the first business day immediately following the fifth anniversary date of the Issue Date (the "Maturity Date") at a conversion price of HK$0.934 per share per convertible notes. With effect from 24 August 2017, being the date immediately after the record date for determining the entitlement to the final dividend for the year ended 31 March 2017, the conversion price of convertible notes was adjusted to HK$0.802 per conversion share in accordance with the terms and conditions of convertible notes. If the notes have not been converted, they will be redeemed by the Company on the Maturity Date at the aggregate of (i) its principal amount outstanding as at the Maturity Date; and (ii) all interest accrued thereon up to and including the Maturity Date. Interest of 1.68% will be payable by the Company on maturity date.

The Company shall have the right to redeem the convertible notes, in full or in part (provided that in the case of a partial redemption the aggregate principal amount of the convertible notes being redeemed shall be at least HK$3,000,000 or above), held by the noteholder at an amount equal to the aggregate of (a) the aggregate principal amount of the convertible notes held by such noteholder being the subject of the redemption (the "Redeemed Principal"); and (b) all interest accrued thereon up to and including the date of such redemption at any time on or after the first month from the Issue Date by giving a redemption notice setting out the Redeemed Principal, the Company redemption amount and the early redemption date to such noteholder not less than five business days prior to the early redemption date.

The convertible notes contain three components: liability component, equity component and redemption option derivative, which is classified as derivative financial asset component. The equity component is presented in equity heading "convertible notes equity reserve". The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 13.73% per annum.

The key inputs used for the calculation of the fair value of redemption option derivative component of convertible notes are as follows:

	At 26 September 2016	At 31 March 2017	**At 5 June 2017**	**At 31 March 2018**
Risk-free rate	0.62%	1.22%	0.82%	1.58%
Expected life	4.2 years	3.69 years	3.51 years	2.69 years
Expected volatility	70.0%	70.98%	69.08%	64.38%
Expected dividend yield	Nil	Nil	Nil	Nil

23. CONVERTIBLE NOTES (Continued)

The movement of the equity component, liability component and redemption option derivative of the convertible notes for the year is set out below:

	Liability component HK$'000	Equity component HK$'000	Redemption option derivative HK$'000	Total HK$'000
At 1 April 2016	73,170	63,859	(21,300)	115,729
Effective interest charged (note 9)	8,204	–	–	8,204
Interest payable	(1,644)	–	–	(1,644)
Release of deferred tax liability upon conversion of convertible notes (note 24)	–	3,348	–	3,348
Conversion of convertible notes	(32,712)	(30,424)	7,819	(55,317)
Change in fair value of derivative financial asset component of convertible notes (note 7)	–	–	(2,604)	(2,604)
At 31 March 2017 and 1 April 2017	47,018	36,783	(16,085)	67,716
Effective interest charged (note 9)	2,032	–	–	2,032
Interest payable	(369)	–	–	(369)
Release of deferred tax liability upon conversion of convertible notes (note 24)	–	3,358	–	3,358
Conversion of convertible notes	(40,644)	(34,522)	12,867	(62,299)
Change in fair value of derivative financial asset component of convertible notes (note 7)	–	–	3,199	3,199
At 31 March 2018	**8,037**	**5,619**	**(19)**	**13,637**

On 26 September 2016, a holder of convertible notes exercised its conversion right to convert the principal amount of HK$53,000,000 into 56,745,182 ordinary shares.

On 5 June 2017, a holder of convertible notes exercised its conversion right to convert the partial principal amount of HK$61,000,000 out of HK$72,000,000 into 65,310,492 ordinary shares.

As at 31 March 2018, the outstanding principal of the convertible notes was HK$11,000,000 (2017: HK$72,000,000).

24. DEFERRED TAX

	2018 HK$'000	2017 HK$'000
At 1 April	**18,218**	21,325
Release of deferred tax liability upon conversion of convertible notes (note 23)	**(3,358)**	(3,348)
Release of deferred tax liabilities upon disposal of subsidiaries (note 31)	**(5,795)**	–
Charged to the consolidated statement of profit or loss and other comprehensive income (note 13)	**1,109**	241
At 31 March	**10,174**	18,218

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year were as follows:

	Depreciation allowances in excess of the related depreciation HK$'000	Convertible notes HK$'000	Total HK$'000
At 1 April 2016	12,773	8,552	21,325
Release of deferred tax liability upon conversion of convertible notes (note 23)	–	(3,348)	(3,348)
Charged/(credited) to the consolidated statement of profit or loss and other comprehensive income (note 13)	1,323	(1,082)	241
At 31 March 2017 and 1 April 2017	14,096	4,122	18,218
Release of deferred tax liability upon conversion of convertible notes (note 23)	–	(3,358)	(3,358)
Release of deferred tax liabilities upon disposal of subsidiaries (note 31)	(5,795)	–	(5,795)
Charged/(credited) to the consolidated statement of profit or loss and other comprehensive income (note 13)	1,384	(275)	1,109
At 31 March 2018	**9,685**	**489**	**10,174**

As at 31 March 2018, the Group had unused tax losses of approximately HK$46,750,000 (2017: approximately HK$35,296,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses of approximately HK$46,750,000 (2017: approximately HK$35,296,000) due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

25. SHARE CAPITAL

	Number of shares 2018 Number '000	2017 Number '000	Amount 2018 HK$'000	2017 HK$'000
Authorised:				
Ordinary of shares of HK$0.1 each				
At 1 April and at 31 March	**2,000,000**	2,000,000	**200,000**	200,000
Issued and full paid:				
Ordinary shares of HK$0.1 each				
At 1 April	**1,029,043**	971,798	**102,904**	97,180
Issue of shares upon exercise of the share options (notes (a) and (c))	**30,674**	500	**3,067**	50
Issue of shares upon conversion of convertible notes (notes (b) and (d))	**65,310**	56,745	**6,531**	5,674
At 31 March	**1,125,027**	1,029,043	**112,502**	102,904

Notes:

(a) During the year ended 31 March 2017, 500,000 ordinary shares of HK$0.1 each were issued as a result of exercise of share options under the 2003 Scheme.

(b) During the year ended 31 March 2017, a convertible note with principal amounted to HK$53,000,000 was converted into 56,745,182 ordinary shares at its conversion price of HK$0.934 per share.

(c) During the year ended 31 March 2018, 4,065,756 ordinary shares and 26,607,290 ordinary shares of HK$0.1 each were issued as a result of exercise of share options under the 2003 Scheme and 2013 Scheme respectively.

(d) During the year ended 31 March 2018, a convertible note with partial principal amount of HK$61,000,000 out of HK$72,000,000 was converted into 65,310,492 ordinary shares at its conversion price of HK$0.934 per share.

26. RESERVES

Nature of reserves

Special reserve

The special reserve represents the offsetting of the share premium of the subsidiary acquired against the excess of the nominal value of that subsidiary's shares and the nominal value of the shares issued by the Company in exchange thereof under the Group reorganisation in April 2000.

26. RESERVES (Continued)

Nature of reserves (Continued)

Capital reserve

The capital reserve represents capital contribution from a related company, a shareholder, and a non-controlling shareholder in the form of interest free loans. The amounts are estimated by discounting the nominal value of their non-interest bearing loans to the Group at current market interest rate for similar financial instruments.

Exchange reserve

Exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(xii).

Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors or employees of the Company recognised in accordance with the accounting policy adopted for share-based payment set out in note 3(xi)(c).

Convertible notes equity reserve

The convertible notes equity reserve represents the equity component (conversion rights) of convertible notes issued by the Company. If the convertible notes are not converted at the maturity date, the convertible notes equity reserve will be reclassified subsequently to profit or loss.

Contribution from shareholders

The contributions from shareholders represent the aggregation of discount on acquisitions of three indirectly wholly owned subsidiaries – Seedtime International Limited, Honeyguide Investments Limited ("Honeyguide") and Uptodate Management Limited with their respective amount of approximately HK$11,855,000, HK$4,678,000 and HK$233,606,000 from the former controlling shareholder – Mr. Ng Chun For, Henry.

During the year ended 31 March 2017, Honeyguide was struck off and its attributable contributions from shareholders of approximately HK$4,678,000 were transferred to retained profits.

During the year ended 31 March 2018, Seedtime International Limited was disposed and its attributable contributions from shareholders of approximately HK$11,855,000 were transferred to retained profits.

Contributed surplus

Pursuant to the approval of a special resolution at the special general meeting of the Company on 13 May 2015, the amount of approximately HK$720,617,000 standing to the credit of share premium has been reduced and transferred to the contributed surplus. The contributed surplus is a distributable reserve and will be used for payment of dividends and for such other purposes as allowed by the Companies Act 1981 of Bermuda.

27. CAPITAL COMMITMENTS

Save as disclosed elsewhere in the consolidated financial statements, as at 31 March 2018, the Group had no material capital commitments (2017: Nil).

28. OPERATING LEASES

The Group as lessee

	2018 HK$'000	2017 HK$'000
Minimum lease payments paid under operating leases during the year	**1,206**	1,231

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**1,119**	1,288
In the second to fifth year inclusive	**573**	1,765
	1,692	3,053

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse premises. Leases are negotiated for an average term of 2 years and rentals are fixed during the lease period.

The Group as lessor

Property rental income earned during the year was HK$47,241,000 (2017: HK$65,826,000). The properties are expected to generate rental yields of 1.85% (2017: 2.15%) on an ongoing basis.

At the end of the reporting period, the Group had contracted with the tenants for the following future minimum lease receivables:

	2018 HK$'000	2017 HK$'000
Within one year	**24,780**	40,412
In the second to fifth year inclusive	**13,799**	20,666
	38,579	61,078

29. SHARE-BASED PAYMENT TRANSACTIONS

The Company has adopted a share option scheme which was approved by the shareholders of the Company at the Annual General Meeting ("AGM") held on 3 September 2013 (the "2013 Scheme") upon the share option scheme previously adopted on 3 September 2003 and lapsed on 2 September 2013 (the "2003 Scheme"). Upon the expiration of the 2003 Scheme, no further option could be granted under the 2003 Scheme, but the provisions of the 2003 Scheme applicable for outstanding 4,065,756 share options shall remain in full force in all respects and all exercised during the year.

The primary purpose of 2013 Scheme is to provide incentives to participants (as defined including but not limited to (a) any employees; (b) any supplier of goods or services to any member of the Group; (c) any customer of the Group; and (d) any director or independent non-executive director and/or shareholder of the Company and/or any member of the Group) who has contribution to the Group and to enable the Group to recruit and retain high caliber employees.

Pursuant to Note (2) to Rule 17.03(3) of the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercise under the 2013 Scheme and any other share option schemes of the Company must not exceed 30% of the number of the Company's shares in issue from time to time. No options may be granted under any scheme of the Company if this will result in this 30% limit being exceeded.

The number of shares in respect of which options may be granted to any employee in any 12-month period is not permitted to exceed 1% of the total number of the Company's shares in issue, subject to approval from shareholders of the Company. The Company may seek approval from shareholders of the Company in general meeting to refresh the 10% limit. The scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the shareholders at the AGM held on 12 August 2016, the share of the Company (the "Share") in issue at the AGM held on 12 August 2016 was 971,798,352 Shares and thus the maximum number of Shares allowed to be issued upon exercise of all options to be granted under the 2013 Scheme and any other share option scheme of the Company shall not exceed 97,179,835 Shares which represented 10% of the issued share capital of the Company as at the AGM held on 12 August 2016.

Options granted must be taken within 28 days of the date of grant or such longer or shorter period as the board of directors of the Company may think fit. An option may be exercised at any time, during a period determined and notified by the board of directors by each grantee, to the 10th anniversary of the date of grant. The exercise price is determined by the board of directors of the Company and will be at least the highest of the following:

(a) the closing price of shares at the date of grant of a share option;

(b) the average closing price of the shares for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Movements in the share options granted to the directors, employees of the Company and other eligible participants under the 2003 Scheme during the year were as follows:

2018

			Number of share options					
	Date of grant	Exercise price HK$	Outstanding at 1 April 2017 '000	Granted during the year '000	Exercised during the year '000	Cancelled during the year '000	Outstanding at 31 March 2018 '000	Weighted average share price at the date of exercise HK$
Eligible participants	31 August 2007	**1.1394**	**515**	**–**	**(515)**	**–**	**–**	**1.41**
Employee	18 April 2011	**0.6505**	**3,551**	**–**	**(3,551)**	**–**	**–**	**2.43**
			4,066	**–**	**(4,066)**	**–**	**–**	

2017

			Number of share options				
	Date of grant	Exercise price HK$	Outstanding at 1 April 2016 '000	Granted during the year '000	Exercised during the year '000	Outstanding at 31 March 2017 '000	Weighted average share price at the date of exercise HK$
Eligible participants	31 August 2007	1.1394	1,015	–	(500)	515	1.81
Employee	18 April 2011	0.6505	3,551	–	–	3,551	N/A
			4,566	–	(500)	4,066	

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Movements in the share options granted to the directors, employees of the Company and other eligible participants under the 2013 Scheme during the year were as follows:

2018

	Date of grant	Exercise price	Outstanding at 1 April 2017	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2018	Weighted average share price at the date of exercise
			Number of share options					
		HK$	'000	'000	'000	'000	'000	HK$
Directors	30 April 2014	1.0211	1,015	–	–	(1,015)	–	N/A
	5 September 2014	0.9100	2,850	–	–	(2,850)	–	N/A
	28 August 2015	0.8780	10,498	–	(5,300)	(5,198)	–	2.43
	31 March 2016	1.3820	4,517	–	–	(4,517)	–	N/A
	2 September 2016	1.1140	4,488	–	(4,488)	–	–	2.43
			23,368	–	(9,788)	(13,580)	–	
Eligible participants	30 April 2014	1.0211	7,102	–	(7,102)	–	–	2.43
	31 March 2016	1.3820	9,717	–	(9,717)	–	–	2.43
			16,819	–	(16,819)	–	–	
			40,187	–	(26,607)	(13,580)	–	

2017

	Date of grant	Exercise price	Outstanding at 1 April 2016	Granted during the year	Exercised during the year	Outstanding at 31 March 2017	Weighted average share price at the date of exercise
			Number of share options				
		HK$	'000	'000	'000	'000	HK$
Directors	30 April 2014	1.0211	1,015	–	–	1,015	N/A
	5 September 2014	0.9100	2,850	–	–	2,850	N/A
	28 August 2015	0.8780	10,498	–	–	10,498	N/A
	31 March 2016	1.3820	4,517	–	–	4,517	N/A
	2 September 2016	1.1140	–	4,488	–	4,488	N/A
			18,880	4,488	–	23,368	
Eligible participants	30 April 2014	1.0211	7,102	–	–	7,102	N/A
	31 March 2016	1.3820	9,717	–	–	9,717	N/A
			16,819	–	–	16,819	
			35,699	4,488	–	40,187	

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
31 August 2007	Vested upon granted	From 31 August 2007 to 30 August 2017	HK$1.1394
18 April 2011	Vested on 18 April 2016	From 18 April 2016 to 17 April 2021	HK$0.6505
30 April 2014	Vested upon granted	From 30 April 2014 to 29 April 2024	HK$1.0211
5 September 2014	Vested upon granted	From 5 September 2014 to 4 September 2024	HK$0.9100
28 August 2015	Vested upon granted	From 28 August 2015 to 27 August 2025	HK$0.8780
31 March 2016	Vested upon granted	From 31 March 2016 to 30 March 2026	HK$1.3820
2 September 2016	Vested upon granted	From 2 September 2016 to 1 September 2026	HK$1.1140

As at 31 March 2017, the options outstanding have a weighted average remaining contractual life of 8.4 years.

During the year ended 31 March 2017, 4,488,000 options were granted on 2 September 2016. The estimated fair values of the options on those day is HK$2,281,000.

These fair values were calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

	2017
Weighted average share price	HK$1.07
Weighted average exercise price	HK$1.114
Expected volatility	73.71%
Expected life	10 years
Risk free rate	0.94%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years. The expected life of the options was the contractual life of the options. Expected dividends are based on historical dividends.

For the year ended 31 March 2017, the Group recognised total expenses of approximately HK$2,297,000 related to equity-settled share-based payment transactions.

30. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes HK$1,500 or 5% of the relevant payroll costs, whichever is lower for each employee, to the scheme, which contribution is matched by employees.

The Group's contribution to retirement benefits schemes for the year ended 31 March 2018 amounted to approximately HK$129,000 (2017: approximately HK$132,000).

31. DISPOSAL OF SUBSIDIARIES

On 13 December 2017, the Group disposed of the entire issued share capital of Seedtime International Limited for an aggregate consideration of HK$965,000,000 (subject to post-completion adjustments pursuant to the sales and purchase agreement entered on 13 July 2017). Based on the post-completion adjustments, the consideration was subsequently adjusted downwards from HK$965,000,000 to HK$963,307,000. The consolidated net assets of Seedtime International Limited and its subsidiary, Land Base Limited, at the date of disposal were as follows:

Consideration received:

	HK$'000
Cash received	963,307

Analysis of assets and liabilities over which control was lost:

	HK$'000
Investment properties	960,000
Trade receivables	1,720
Deposits and other receivables	266
Bank balances	1,447
Other payables, accruals and rental deposits received	(5,032)
Provision for litigation	(2,300)
Amount due to holding company	(182,162)
Tax payable	(94)
Deferred tax liabilities	(5,795)
Net assets disposed of	768,050

31. DISPOSAL OF SUBSIDIARIES (Continued)

	HK$'000
Net gain on disposal of subsidiaries:	
Consideration received	963,307
Assignment of amount due to holding company	(182,162)
Net assets disposed of	(768,050)
Transaction costs directly attributable to the disposal	(7,720)
Net gain on disposal of subsidiaries	5,375
Net cash inflow arising from disposal	
Cash consideration	963,307
Less: Bank balances disposed of	(1,447)
Less: Transaction costs directly attributable to the disposal	(7,720)
	954,140

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Bank borrowings HK$'000
At 1 April 2017	1,173,025
Changes from financing cash flows:	
New bank loan raised	570,000
Repayment of bank loans	(1,173,025)
At 31 March 2018	**570,000**

33. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following material related party transactions:

(a) Key management personnel remuneration represents amounts paid to the Company's directors and the highest paid employees as disclosed in notes 11 and 12 respectively.

34. PLEDGE OF ASSETS

As at 31 March 2018, the Group has pledged the following assets:

(1) Legal charges over certain investment properties in Hong Kong with an aggregate carrying amount of HK$1,763,000,000 (2017: HK$3,051,000,000) for securing certain bank borrowings granted from several banks to its wholly-owned subsidiaries;

(2) Share mortgage of several subsidiaries for securing their respective bank borrowings; and

(3) Rent assignments in respect of the investment properties held by the Group.

35. EVENTS AFTER THE REPORTING PERIOD

(1) On 23 April 2018, the board of directors of the Company announced that it has resolved to change the financial year end date of the Company from 31 March to 31 December effective after the publication of the forthcoming annual results for the year ended 31 March 2018. After the publication of the annual results for the year ended 31 March 2018, the next financial year end date of the Company will be 31 December 2018 and the next audited financial statements of the Group will cover the period of nine months from 1 April 2018 to 31 December 2018.

(2) A special resolution was passed by the Company's shareholders at the special general meeting held on 24 May 2018 to approve the change of the English name of the Company from "Henry Group Holdings Limited" to "Zhongchang International Holdings Group Limited" and the adoption of "中昌國際控股集團有限公司" as the secondary name in Chinese of the Company to replace its existing secondary name in Chinese "鎮科集團控股有限公司" which is used for identification purpose only.

(3) On 15 June 2018, Top Bright Properties Limited, an indirect wholly-owned subsidiary of the Company, entered into a supplemental agreement with a financial institution for a term loan facility in the principal amount of HK$212 million. On the same day, each of Smart Land Properties Limited and Pioneer Delight Limited, both being indirect wholly-owned subsidiaries of the Company, entered into an agreement with a financial institution for a term loan facility in the principal amount of HK$50 million and HK$25 million. Pursuant to the terms of the aforesaid loan agreements, it will constitute an event of default if Mr. Chen Lijun and Mr. Chen Jianming (the ultimate controlling shareholder of the Company) fail to collectively maintain not less than 55% beneficial shareholding in the Company or maintain control over the management and business of the Group.

36. CONTINGENT LIABILITIES

(1) High Fly Investments Limited ("High Fly"), an indirect non-wholly owned subsidiary of the Company which were dissolved by virtue of voluntary liquidation with the British Virgin Islands ("BVI") Registry of Corporate Affairs approved on 24 January 2014 and Premium Assets Development Limited ("Premium Assets") (collectively the "Indemnifiers") had signed Deed of Indemnity (the "Deed") on 4 October 2013 (being date of completion of the SPA) with Double Favour Limited ("Double Favour"). Pursuant to the Deed, each of indemnifiers hereby severally, pro rata to their respective shareholdings in the High Luck International Limited ("High Luck") immediately before completion of the SPA (i.e. 45% as to Premium Assets and 55% as to High Fly) (the "Relevant Proportion") undertakes to Double Favour (for itself and as trustee of the High Luck and its subsidiaries (the "Disposal Group") to pay them an amount or amounts equal to each of the following:

(a) any liability to taxation in connection with any claim in respect of all taxation falling on any member of the Disposal Group resulting from or by reference to any transaction, event, matters or thing occurred or effected during the period from 1 September 2007 to 4 October 2013 (being date of completion of the SPA) (the "Relevant Period"), or in respect of any gross receipts, income, profits or gains earned, accrued or received, or alleged or deemed to have been earned, accrued, or received by any member of the Disposal Group during the Relevant Period, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and

(b) all action, claims, losses, damages, cost (including all legal costs), charges, expenses, interests, penalties or any other liabilities to which any member of the Disposal Group is or may be subject or which any member of the Disposal Group or Double Favour may reasonably and properly incur in connection with:

(i) any investigation, assessment or the contesting of any claim or any of the matter referred to in (a) above;

(ii) the settlement of any claim or any of the matters referred to in (a) above;

(iii) any legal proceedings or actions in which the Purchaser or any member of the Disposal Group claims under or in respect of the Deed and in which judgment is given in favour of the Double Favour or any member to the Disposal Group; or

(iv) the enforcement of any such settlement or judgment,

and each of the Indemnifiers severally in the Relevant Proportion undertakes to indemnify and hold harmless or demand any member of the Disposal Group and Double Favour in respect of the matters referred to (a) to (b) (inclusive) above.

36. CONTINGENT LIABILITIES (Continued)

(1) (continued)

(b) (continued)

Notwithstanding anything to the contrary herein provided and the guarantee provided in the SPA, Double Favour further agrees and acknowledges to High Fly acting as trustee for the benefit of Uptodate Management Limited ("Uptodate"), an indirect wholly owned subsidiary of the Company and Best Task Limited that their respective obligations under the guarantee in respect of any obligations arising from any claims against High Fly under the Deed and/or the SPA (the "Relevant Claims"), the obligations of Uptodate under the guarantee for such Relevant Claims should only be limited to 54.55% of the said claims (i.e. not more than 30% of total claims).

Pursuant to the Deed, the board of directors is of the opinion that it would be unlikely for the Group through Uptodate to suffer any material financial loss as a result of giving the aforesaid indemnity on several basis limited to 30% of the Relevant Claims.

As at 31 March 2018, there was no relevant reported.

(2) Under the agreement for sale and purchase of share in and debts owed by Seedtime International Limited signed between the Company, Rose City Group Limited (the "Vendor") and Prime Magic Holdings Limited (the "Purchaser") on 13 July 2017, the Company acts as guarantor in favour of the Purchaser for the disposal of entire issued share capital of Seedtime International Limited, which was completed on 13 December 2017.

The Company irrevocably and unconditionally guarantees to the Purchaser the due and punctual observance and performance by the Vendor of all its obligations undertaken in the agreement and the Vendor's warranties; and undertakes that if for any reason the Vendor fails to observe or perform any of such obligations and/or is in breach of any Vendor's warranties, it shall on demand observe or perform or procure the Vendor to observe or perform the same in respect of which the Vendor shall be in default and make good to the Purchaser and indemnify and hold harmless the Purchaser against all reasonable losses, damages, costs and expenses arising or incurred by the Purchaser as a result of such non-observance or non-performance.

As at 31 March 2018, there was no relevant claims reported.

Save as disclosed aforesaid, the Group did not have any significant contingent liabilities as at 31 March 2018.

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximizing the return to the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts (which includes bank borrowings and convertible notes), cash and bank balances and equity attributable to equity holders of the Company.

The Group's risk management actively and regularly reviews the capital structure. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio, expressed as total liabilities over total assets, at the end of the reporting period was as follows:

	2018 **HK$'000**	2017 HK$'000
Total assets	**2,682,459**	3,489,757
Total liabilities	**603,390**	1,262,640
Gearing ratio	**22.5%**	36.2%

38. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management.

(i) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Further quantitative disclosure of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

The credit risk for cash and bank balances exposed is considered minimal as such amounts are placed in banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid fund which are deposited with several banks with high credit ratings and save as disclosed elsewhere in the consolidated financial statements, the Group does not have any other significant concentration of credit risk.

38. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk

The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the board of directors of the Company when the borrowings exceed certain predetermined levels of authority.

The following tables detail the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-derivative financial liabilities						
2018						
Bank borrowings	**570,000**	**625,489**	**28,709**	**28,638**	**568,142**	**–**
Convertible notes	**8,037**	**11,000**	**–**	**–**	**11,000**	**–**
Other payables, accruals and rental deposits received	**14,912**	**14,912**	**8,600**	**6,312**	**–**	**–**
	592,949	**651,401**	**37,309**	**34,950**	**579,142**	**–**
2017						
Bank borrowings	1,173,025	1,295,965	51,216	53,633	331,801	859,315
Convertible notes	47,018	72,000	–	–	72,000	–
Other payables, accruals and rental deposits received	19,244	19,244	8,287	9,363	1,594	–
	1,239,287	1,387,209	59,503	62,996	405,395	859,315

38. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

The following table details the interest rate profile of the Group's net borrowings at the end of reporting period:

	2018		2017	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Net variable rate borrowings				
Bank borrowings	**(note)**	**570,000**	(note)	1,173,025
Bank balances	**0.01% to 1.10%**	**(749,153)**	0.01% to 0.55%	(400,107)
		(179,153)		772,918

Note: Details of the Group's bank borrowings are set out in note 21 to the consolidated financial statements.

At 31 March 2018, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after taxation by approximately HK$1,792,000 (2017: decrease/increase profit by approximately HK$7,729,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2017.

38. FINANCIAL RISK MANAGEMENT (Continued)

(iv) Foreign exchange risk

The Group have foreign currency denominated monetary assets, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**33**	191	**–**	–
United States Dollars ("USD")	**291**	291	**–**	–

Foreign currency sensitivity analysis

As Hong Kong Dollars are pegged to USD, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the Hong Kong Dollars to USD exchange rates. As a result, the directors consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates between Hong Kong Dollars to USD is minimal.

The Group is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in Hong Kong Dollars against RMB. The sensitivity analysis includes outstanding foreign currency denominated monetary items. A positive number below indicates an increase in profit or equity where the Hong Kong Dollars strengthen 5% (2017: 5%) against RMB. For a 5% (2017: 5%) weakening of the Hong Kong Dollars against RMB, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative.

	Impact of RMB	
	2018	2017
	HK$'000	HK$'000
Profit or loss (note)	**2**	10

Note:

This is mainly attributable to the exposure outstanding on monetary items denominated in RMB not subject to cash flow hedge at the end of the reporting period.

38. FINANCIAL RISK MANAGEMENT (Continued)

(v) Fair values measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 2018 HK$'000	2017 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Derivative financial asset component of convertible notes	**Assets HK$19,000**	Assets HK$16,085,000	Level 3	The binomial option pricing model	Risk-free rate adopted was 1.58% (2017: 1.22%). Expected volatility of 64.38% (2017: 70.98%).

There were no transfers between Level 1 and 2 in the year.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair values of financial assets and financial liabilities are determined as follows:

a) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

b) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

38. FINANCIAL RISK MANAGEMENT (Continued)

(v) Fair values measurements of financial instruments (Continued)

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (Continued)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

	2018		2017	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible notes	**8,037**	**8,373**	47,018	48,925

Fair value hierarchy as at 31 March 2018

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets				
Derivative financial asset component of convertible notes	**–**	**–**	**19**	**19**

Fair value hierarchy as at 31 March 2017

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Derivative financial asset component of convertible notes	–	–	16,085	16,085

38. FINANCIAL RISK MANAGEMENT (Continued)

(v) Fair values measurements of financial instruments (Continued)

(iii) Reconciliation of Level 3 fair value measurements

	Derivative financial asset component of convertible notes HK$'000
At 1 April 2016	21,300
Conversion of convertible notes	(7,819)
Fair value change	2,604
At 31 March 2017 and 1 April 2017	16,085
Conversion of convertible notes	(12,867)
Fair value change	(3,199)
At 31 March 2018	**19**

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2018 and 2017 are categorised as follows:

	2018 HK$'000	2017 HK$'000
Financial assets		
Loan and receivables (including cash and bank balances)	**751,588**	403,665
Derivative financial instruments	**19**	16,085
Financial liabilities		
Financial liabilities measured at amortised cost	**592,949**	1,239,287

40. NON-CASH TRANSACTIONS

The Group entered into the following major non-cash transactions which are not reflected in the consolidated statement of cash flows:

(a) During the year ended 31 March 2017, a holder of convertible notes exercised its conversion right to convert the principal amount of HK$53,000,000 into 56,745,182 ordinary shares. Please refer to note 23 to the consolidated financial statements for details.

(b) During the year ended 31 March 2018, a holder of convertible notes exercised its conversion right to convert the partial principal amount of HK$61,000,000 out of HK$72,000,000 into 65,310,492 ordinary shares. Please refer to note 23 to the consolidated financial statements for details.

(c) During the year ended 31 March 2018, certain outstanding share options were cancelled and share-based payment reserve of approximately HK$7,400,000 was released to retained profits..

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 March 2018 were as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of ownership interests attributable to the Company/ proportion of voting power held by the the Company Direct	Indirect	Principal activities
Henry Group Assets Management Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	–	Investment holding
New Treasure Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	–	Investment holding
Henry Group Management Limited	Hong Kong	Ordinary HK$1	100%	–	Provision of administration service to group companies
Rose City Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Max Act Enterprises Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Sharp Wonder Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Top Bright Properties Limited	Hong Kong	Ordinary HK$9,999 Deferred share HK$1	–	100%	Property investment
Wingplace Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Smart Land Properties Limited	Hong Kong	Ordinary HK$1	–	100%	Property investment

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of ownership interests attributable to the Company/ proportion of voting power held by the the Company		Principal activities
			Direct	Indirect	
Maxwing Investment Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Joy Depot Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Bond Victory Limited	Hong Kong	Ordinary HK$5,000	–	100%	Property investment
South Shine Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Sunny Coast Limited	Hong Kong	Ordinary HK$1	–	100%	Investment holding
Asia Goal International Limited	Hong Kong	Ordinary HK$1	–	100%	Property investment
Pioneer Delight Limited	Hong Kong	Ordinary HK$1	–	100%	Property investment
Top Grade Properties Limited	Hong Kong	Ordinary HK$1	–	100%	Property investment
Wealth Properties Limited	Hong Kong	Ordinary HK$1	–	100%	Property investment
New Headland Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Joyfield Global Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of ownership interests attributable to the Company/ proportion of voting power held by the the Company		Principal activities
			Direct	Indirect	
Crystal City Global Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Perfect Shield Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Red Ribbon Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Uptodate Management Limited	The British Virgin Islands/ Hong Kong	Ordinary US$100	–	100%	Inactive
China Charter Limited	Hong Kong	Ordinary HK$1	–	100%	Investment holding
浙江自貿區鑫盛海洋產業投資有限公司	The People's Republic of China	Registered capital RMB500,000,000; paid-up capital RMB80,026,984	–	100%	Investment, development and construction of ocean engineering and real estates; investment and development of tourism project; and real estate agent services; consultation of information services; property management and property leasing
佛山快彤物業服務有限公司	The People's Republic of China	Registered capital RMB500,000,000; paid-up capital RMB0	–	100%	Property management, provision of real estate intermediate services; family services and construction works.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries (Note)	**375,152**	296,267
CURRENT ASSETS		
Other receivables	**222**	567
Amounts due from subsidiaries	**–**	296,180
Derivative financial instruments	**19**	16,085
Cash and bank balances	**120,080**	10,160
	120,321	322,992
CURRENT LIABILITIES		
Other payables	**757**	458
Amounts due to subsidiaries	**102,393**	–
	103,150	458
NET CURRENT ASSETS	**17,171**	322,534
TOTAL ASSETS LESS CURRENT LIABILITIES	**392,323**	618,801
NON-CURRENT LIABILITIES		
Interest and other payables	**788**	2,303
Convertible notes	**8,037**	47,018
Deferred taxation	**489**	4,122
	9,314	53,443
NET ASSETS	**383,009**	565,358
CAPITAL AND RESERVES		
Share capital	**112,502**	102,904
Reserves	**270,507**	462,454
TOTAL EQUITY	**383,009**	565,358

Note:

As at 31 March 2018 and 2017, the balance of interests in subsidiaries included amounts due from subsidiaries.

The Company's financial statements were approved and authorised for issue by the board of directors on 25 June 2018 and signed on its behalf by:

WANG Junyong
Director

FAN Xuerui
Director

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share premium HK$'000	Share-based payment reserve HK$'000	Convertible notes reserve HK$'000	Contributed surplus HK$'000 (note)	Retained profits HK$'000	Total HK$'000
At 1 April 2016	16,045	21,263	63,859	209,959	135,388	446,514
Loss and total comprehensive loss for the year	–	–	–	–	(9,445)	(9,445)
Recognition of share-based payments	–	2,297	–	–	–	2,297
Exercise of share options	757	(237)	–	–	–	520
Release of deferred tax liability upon conversion of convertible notes	–	–	3,348	–	–	3,348
Issue of shares upon conversion of convertible notes	49,644	–	(30,424)	–	–	19,220
At 31 March 2017 and 1 April 2017	66,446	23,323	36,783	209,959	125,943	462,454
Loss and total comprehensive loss for the year	–	–	–	–	(13,617)	(13,617)
Exercise of share options	46,086	(15,923)	–	–	–	30,163
Release of deferred tax liability upon conversion of convertible notes	–	–	3,358	–	–	3,358
Issue of shares upon conversion of convertible notes	55,768	–	(34,522)	–	–	21,246
Final dividend declared and paid	–	–	–	(209,959)	(23,138)	(233,097)
Release of share-based payment reserves upon cancellation of share options	–	(7,400)	–	–	7,400	–
At 31 March 2018	**168,300**	**–**	**5,619**	**–**	**96,588**	**270,507**

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves (Continued)

Note:

The contributed surplus of the Company represents the difference between the book value of the underlying net assets of the subsidiaries acquired by the Company under the group reorganisation in April 2000 and the nominal value of the Company's shares issued for the acquisition. In addition to retained profits, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company had distributable reserve of approximately HK$93,442,000 at the end of the reporting period (2017: HK$329,557,000).

43. CORPORATE GUARANTEES

As at 31 March 2018, the Company has given several corporate guarantees in aggregate of HK$656,000,000 (2017: HK$1,316,000,000) for securing banking facilities granted to its subsidiaries which were fully repaid in December 2017. As at 31 March 2018, the Company provided corporate guarantee of HK$570,000,000 which given to a bank for securing banking facilities granted to its subsidiary.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 June 2018.

	Year ended 31 March				
	2014	2015	2016	2017	**2018**
	HK$'000 (restated) (Note)	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	53,555	51,270	57,247	65,826	**47,241**
Other gains and losses, net	7,817	20,450	11,215	4,799	**(169)**
Increase/(decrease) in fair value of investment properties	(22,367)	488,000	9,862	30,200	**20,500**
Loss on disposal of financial asset held for sale	(3)	–	–	–	**–**
Gain on disposal of subsidiaries	297,739	–	–	–	**–**
Staff costs	(48,739)	(32,489)	(17,678)	(12,123)	**(10,373)**
Depreciation of property, plant and equipment	(400)	(141)	(80)	(478)	**(840)**
Other operating expenses	(20,572)	(13,159)	(27,144)	(17,922)	**(19,310)**
Profit from operations	267,030	513,931	33,422	70,302	**37,049**
Finance costs	(32,457)	(26,070)	(26,877)	(33,611)	**(21,707)**
Net gain on disposals of subsidiaries	–	–	–	–	**5,375**
Net gain on disposal of an investment property	–	–	–	–	**4,950**
Profit before taxation	234,573	487,861	6,545	36,691	**25,667**
Taxation credit/(charge)	3,431	(1,692)	(4,974)	(2,585)	**(4,965)**
Profit for the year	238,004	486,169	1,571	34,106	**20,702**
Profit for the year attributable to:					
Owners of the Company	123,600	486,169	1,571	34,106	**20,702**
Non-controlling interests	114,404	–	–	–	**–**
	238,004	486,169	1,571	34,106	**20,702**
Dividend and distribution	–	–	549,916	–	**233,097**
Earnings per share					
– Basic (in HK cents)	16.99	56.52	0.16	3.41	**1.90**
– Diluted (in HK cents)	16.09	55.93	0.05	3.27	**1.89**
ASSETS AND LIABILITIES					
Total assets	2,992,141	3,662,068	3,362,156	3,489,757	**2,682,459**
Total liabilities	1,032,703	1,042,976	1,200,254	1,262,640	**603,390**
	1,959,438	2,619,092	2,161,902	2,227,117	**2,079,069**

Note:

The basic and diluted earnings per share for the year ended 31 March 2014 has been adjusted to reflect the open offer completed during the year ended 31 March 2015.

MAJOR PROPERTIES

Particulars of major properties held by the Group at 31 March 2018 were as follows:

Investment properties

Location	Type of property	Group interest	Approximately area
Jardine Center, 50 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Gross floor area of approximately 49,779 sq. ft
Ground Floor and Cockloft Floor, 38 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Saleable area of approximately 446 sq. ft. with yard and the store of approximately 28 and 193 sq. ft. respectively on the ground floor
First Floor, 38 and 40 Jardine's Bazaar, Causeway Bay, Hong Kong	Residential	100%	Saleable area of approximately 762 sq. ft. with flat roof of approximately 99 sq. ft.
Shop No.1 on Ground Floor including Portions of The Flat Roof and Canopy over and above The Shop No. 1 on the Ground Floor, K.K. Mansion, 119, 121 & 125 Caine Road, Mid-Levels West, Hong Kong	Commercial	100%	Saleable area of approximately 1,345 sq. ft. with flat roof of approximately 273 sq. ft.
Ground Floor including Cockloft of 41 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Saleable area of approximately 600 sq. ft. with yard and store of approximately 80 sq. ft. and 371 sq. ft. respectively with yard of 82 sq. ft. on the ground floor
Ground Floor, 57 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Saleable area of approximately 715 sq. ft.